The Corporation Will See You Now…

Understanding Consolidation in the Veterinary Profession

By Ava Abuchaei

After immigrating to America from Iran, my dad began his own business. He saw business-ownership as freeing: allowing him to determine his own hours, pay, management style, and quality of service. Just before starting vet school, I remember him musing to me: "One day, you'll open your own veterinary clinic, where you'll treat hawks, cats, dogs…"

He smiles giddily "... and *even lizards!*"

He speaks wistfully, concocting detailed plans on how this fictional clinic operates. But, looking at the changing landscape of clinic ownership, his dream for me may not become a reality.

Consolidation is the merging and acquirement of small, private practices into a few, larger corporations. Though most veterinary practices today remain independent, recently, consolidation in the veterinary industry has boomed; corporations now own 15-20% of America's 26,000 pet hospitals.[1,7] And continued growth in the veterinary industry may be fueling this consolidation.

Currently, the veterinary industry is expected to grow at 6.2% per year.[2] Large companies have sought to profit from this trend; in 2017 candy company, Mars Inc., acquired VCA and its network of 800 hospitals. This acquisition added to Mars's already impressive portfolio of veterinary practices that includes Banfield and BluePearl. Meanwhile, superstores like PetSmart and Walmart now provide or are looking to provide veterinary services in their stores.[2]

Predicting the impact of consolidation in veterinary medicine is complex, as the trend has started in more recent years. However, we can examine the earlier and rapid trend of consolidation in the human healthcare industry as a model for identifying positive and negative aspects of corporate merging in veterinary medicine.

We can start by discussing a potential positive impact. Theoretically, consolidation can result in savings for our clients.[5,6] Because of their immense capital, corporations can save money in areas like purchasing (bulk purchasing allows negotiations for discounts on drugs, equipment, and employee benefits), financing (obtaining lower-interest charges when borrowing from banks), and administration (streamlined administrative software, accounting, marketing).[5,6] These savings can trickle down to our clients and decrease cost of veterinary care.

In reality, however, savings in operational costs may not translate to lower prices for clients in highly consolidated environments. In human healthcare, research suggests that hospital consolidation has raised prices for patients by at least 5%. Alarmingly, consolidated hospitals in close proximity to each other have experienced price increases of 40% or more.[3]A central factor in this trend is simple and concerning: companies have investors expecting profit. After consolidating an entire area, using their capital to offer lower prices than independently owned practices, and effectively destroying competition, companies face fewer market forces and can then raise prices at-will.

Looking at quality of care, consolidation can seem promising or troubling. On the plus side, large corporations have standardized care, which ensures minimum bars of care across all clinics. Consolidated practices can also offer clients diagnostic and treatment options that smaller practices cannot, such as access to MRIs and specialists. For new veterinarians, I can see how working within a clear, consistent framework and having access to new technologies can improve outcomes. Ideally, these protocols would be flexible and improved with new research to maximize patient health, a standard that both private and corporate practice should strive for.

Unfortunately, looking again at human healthcare, research shows that in heavily consolidated areas, patient health outcomes are substantially worse; this decline is attributed to lack of competition.[4,8] This correlation has already emerged in consolidated vet practices.[4] In a report from *Bloomberg,* anecdotal evidence from veterinarians who have worked in corporate practice paints a picture of rigidity and preoccupation with increased profit margins.[7] Former corporate veterinarians recall protocols requiring them to recommend unnecessary and excessive diagnostics (like bloodwork), medications, and treatments during annual wellness exams and in treating even the most common symptoms, like itchiness.[7] Former administrators recollect dedicating explicit attention to doctors hitting sales targets and increasing the average patient charge. For those doctors who attempted to diverge from company protocol, consequences were steep. At least one doctor was sued by Banfield, while others were outright fired or removed from veterinary franchises.[7]

At this point, consolidation among veterinarians (15-20%)[1] sits below the levels seen among human primary care physicians (44%).[8] Today, healthy competition remains between private and corporate practice in veterinary medicine. Current levels of consolidation can positively push our profession forward and offer our clients - and ourselves - choice. Private practice cannot compete with corporate practices' speed and cost, but this gives private practitioners an opportunity to focus on individualized care and small communities' specific veterinary needs. In contrast to services that corporate practices offer, current private veterinary clinics can focus on improving their communication, cultural competence, and quality time spent with clients. These changes may draw clients willing to pay more for more personalized environments, forcing corporations to adapt their health care models.

In this current moment, veterinarians must observe the trends in human medicine and work to counteract the negative impacts of healthcare consolidation. There are specific steps we, as veterinarians, can and should take to coexist with corporate partners and maintain beneficial levels of competition. First, we need to investigate economic factors that fuel the unhealthy, uninhibited race to consolidate and propose legislation to prevent the kind of consolidation that lowers standards of care. Next, we can demand policies that put more capital in the hands of individuals and promote small business-ownership through subsidies, low-interest loan programs, and student-debt forgiveness for veterinarians. We can additionally advocate for strong enforcement of antitrust laws that are in place to divert the profit-motivated objectives of corporations. We may also form unions or associations of independent practices to collectively fight for quality patient care in our profession.[8]

New veterinarians may see many economic changes over the course of their careers. However, with effective economic maneuvering, policy advocacy, and cooperation among independent practitioners, perhaps, it is possible for my father's vision for me and my veterinary practice to come true.

Yes, *Baba*, even the part where I get to treat lizards.

References:

1. Pet Industry Outlook: Veterinary Services and Pet Product Retailing. (2018, May 25). Retrieved from https://www.packagedfacts.com/Pet-Outlook-Veterinary-Services-Product-Retailing-11670715/

2. Business Research Company. (2018, July 3). Veterinary Industry Outlook: Top Global Trends and Statistics. Retrieved from https://blog.marketresearch.com/veterinary-industry-outlook-top-global-trends-and-statistics
3. Vogt, W. B., Dr., & Town, R., Dr. (2006, February). *How has hospital consolidation affected the price and quality of hospital care?*(Rep. No. 9). Retrieved https://folio.iupui.edu/bitstream/handle/10244/520/no9researchreport.pdf?sequence=2
4. Davidow, E. (2018, December 11). The Impact of Consolidation on Price and Quality. Retrieved from https://vetidealist.com/impact-consolidation-price-quality/
5. Kenton, W. (2018, December 13). Economies of Scale. Retrieved from https://www.investopedia.com/terms/e/economiesofscale.asp
6. Economies of scale. (2019, January 24). Retrieved from https://en.wikipedia.org/wiki/Economies_of_scale
7. Clenfield, J. (2017, January 5). The High-Cost, High-Risk World of Modern Pet Care. Retrieved from https://www.bloomberg.com/news/features/2017-01-05/when-big-business-happens-to-your-pet
8. *Examining the Impact of Health Care Consolidation: Statement before the Committee on Energy and Commerce Oversight and Investigations Subcommittee, U.S. House of Representatives*, 115th Cong. (2018, February 14) (Statement of Dr. Martin Gaynor, Professor of Economics and Health Policy, Heinz College, Carnegie Mellon University).