

**Before the Federal Trade Commission and Department of Justice
Response to Request for Information on Serial Acquisitions, Roll-Up
Strategies Across U.S. Economy
Docket ID FTC-2024-0028**

**Written Comments from the American Economic Liberties Project
September 20, 2024**

The American Economic Liberties Project is a nonprofit research and advocacy organization dedicated to understanding and addressing the problem of concentrated economic power in the United States. We are submitting this comment in response to the Request for Information Targeting Serial Acquisitions, Roll-Up Strategies Across the United States Economy. We previously submitted a report we published on the topic in 2022, *The Roll-Up: Economy: The Business of Consolidating Industries with Serial Acquisitions*.¹ This comment is a more in-depth look into one particular sector: the rapid consolidation of veterinary clinics by private equity, venture funds, and corporations. It is also meant to demonstrate the need for more regulatory action in this arena.

While large corporate mergers often receive media and Wall Street scrutiny, smaller serial mergers are far less likely to draw attention from either regulators or the media. These deals do not trigger federal antitrust notification and filing requirements – in some cases, they can be as small as one stand-alone business location. Moreover, in many cases, the industries targeted for a roll-up in this fashion are highly diversified and traditionally viewed as a sector consisting of individual entrepreneurs.

In and of themselves, these small mergers should have a small impact, but when carried out on a larger and systemic scale, they methodically eliminate one competitor after another. These quiet roll-ups can ultimately lead to the development of stealth monopolies, creating barriers to competition. As a result, a large business can come to dominate a particular geographic area even as, paradoxically, few are aware of the size and scale of the possible monopoly. Moreover, in some cases the goal is not to create a stand-alone chain as much as it is to sell the newly enlarged entity to an even bigger player in the same space. These companies possess the ability to take advantage of their market power to raise consumer prices, reduce output, undermine skilled workers, and enrich their owners with monopoly rents.

This roll-up strategy has become pervasive in the economy. The veterinary industry offers a potent example. The veterinary industry is made up of not simply medical practices

¹ Denise Hearn, Krista Brown, Taylor Sekhon, and Erik Peinert, "The Roll-Up Economy: The Business of Consolidating Industries and with Serial Acquisitions," December 2022, <http://www.economicliberties.us/wp-content/uploads/2022/12/Serial-Acquisitions-Working-Paper-R4-2.pdf>

dedicated to the treatment of household pets and farm animals, but also includes businesses that offer [clinical laboratory and diagnostic testing for animals](#), services which make up an [increasingly important component of animal medical practices](#).²

THE STATE OF VETERINARY CONSOLIDATION

As Americans are increasingly likely to both live with household pets³, and consider them members of the family⁴, they are increasingly likely to seek both specialized and routine veterinary care. This combination has made the pet industry overall and the veterinary industry extremely attractive to private equity and corporate consolidators, as Americans will likely not only continue to spend increasing amounts of money⁵ on veterinary services but will also go into debt⁶ to pay veterinary bills if they don't have savings on hand.

A little more than a decade ago, the veterinary industry was highly diversified, with a mere 8 percent⁷ of veterinary practices under corporate or private equity control. That number has increased significantly, though how significantly is the subject of some dispute. Brakke Consulting⁸ (Brakke) estimates it to be between 25 and 30 percent⁹, with the number significantly greater for specialty practices (which include but are not restricted to emergency care, cardiology, oncology, orthopedics, and dermatology): that number is estimated at 75 percent. (This is likely because the profit margin for veterinary specialty practices is significantly higher: ¹⁰[typical veterinary clinics generally report a profit margin of 10 to 15 percent](#), while the number for the [specialty practices is 15 to 25 percent](#).)

² Veterinary Services in the US – Market Research Report 2014-2029," IBISWorld, 2014, <https://www.ibisworld.com/united-states/market-research-reports/veterinary-services-industry/>

³ American Pet Products Association, "2024 APPA National Pet Owners Survey Stats," 2024, <https://americanpetproducts.org/industry-trends-and-stats#:~:text=According%20to%20the%202024%20APPA,type%20and%20by%20generational%20segment>

⁴ Brown, A. (2023). About half of US pet owners say their pets are as much a part of their family as a human member, available at <https://www.pewresearch.org/short-reads/2023/07/07/about-half-us-of-pet-owners-say-their-pets-are-as-much-a-part-of-their-family-as-a-human-member/#:~:text=Families%20come%20in%20all%20shapes,new%20Pew%20Research%20Center%20survey>

⁵ Oliver Staley, "How America's love for its cats and dogs built the pet industrial complex," Quartz, January 10, 2021, <https://qz.com/1954821/how-america-is-changing-the-global-pet-industry>.

⁶ Erik Givanetti, "Pet debt dilemma: Survey reveals pet owners' spending limits," U.S. News and World Report, August 21, 2024, [https://money.usnews.com/loans/personal-loans/articles/pet-debt-survey#:~:text=Three%2Dquarters%20of%20respondents%20\(76.with%20healthy%20pets%20\(%242%2C269\)](https://money.usnews.com/loans/personal-loans/articles/pet-debt-survey#:~:text=Three%2Dquarters%20of%20respondents%20(76.with%20healthy%20pets%20(%242%2C269))

⁷ Gyles, C. (2011). Challenges for small animal medicine. *The Canadian Veterinary Journal*, 52(2), 107 available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3022445/#:~:text=Steve%20Ettinger%20spoke%20on%20%20Small,rise%20of%20corporate%20veterinary%20medicine>

⁸ Ross Kelly, "NVA expansion in US hits antitrust snag," VIN News Service, June 23, 2022, <https://www.vin.com/news/vinnewsservice/2022/06/23/nva-expansion-in-us-hits-antitrust-snag>

⁹ Helaine Olen, "Why Your Vet Bill is So High," The Atlantic, April 25, 2024, <https://www.theatlantic.com/ideas/archive/2024/04/vet-private-equity-industry/678180/>

¹⁰ Leslie A. Mamalis and Michael Hargrove, "How much profit is enough," Today's Veterinary Business, December 1, 2020, <https://todaysveterinarybusiness.com/how-much-profit-is-enough/>

Moreover, these corporate or private equity-controlled businesses account for 50 percent of revenue, because they are often larger practices in more well-to-do areas. But another report¹¹, prepared by Sundale Research¹² (Sundale) in 2023 and cited by KPMG International (KPMG) and Fortune Magazine (Fortune), put the number of corporate, family office and private equity owned aggregator practices as significantly higher, at 49 percent.

The reason for the discrepancy between estimates is that there is a dearth of public reporting in veterinary medicine, something that makes it even harder to know if roll-ups are occurring as they are occurring. Private equity and family offices generally only issue press releases about veterinary purchases when they buy out another large known chain, not smaller purchases of individual stand-alone clinics. Few purchases are large enough to trigger the Hart-Scott-Rodino Antitrust Improvements Act (HSR) reporting requirements. Moreover, as veterinary consolidation began to attract negative attention, many veterinary chains adjusted their websites to make it more difficult¹³ to determine which and how many clinics they own.

Among the largest owners or controlling stakeholders of veterinary clinics in the United States is Mars, Inc. with more than 2,500 clinics worldwide¹⁴ and 2,000 across the nation¹⁵ operating under names including Banfield Pet Hospital (Banfield), VCA Animal Hospital (VCA)¹⁶ and BluePearl¹⁷ Pet Hospital (BluePearl). JAB Holding Company; (JAB)¹⁸ which

¹¹ KPMG International, "Veterinary M&A Industry Trends," 2023, https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2022/kpmg_veterinary-2023.pdf

¹² "State of the industry veterinary care in the US", June 2022, <https://sundaleresearch.com/service-industries/state-of-the-industry-veterinary-care-in-the-u-s/>

Beltran, Luisa, "Many Americans can't afford vet care. Is a new business model to blame?", Fortune, May 9, 2024 available at <https://fortune.com/2024/05/09/private-equity-petco-pets-inflation-covid-19-veterinary-clinics-vet-hospitals-rabbits-dogs/>

¹³ Beth Davidow, "Who is buying veterinary hospitals – the update," The Veterinary Idealist, March 8, 2019, <https://vetidealist.com/who-is-buying-veterinary-hospitals-update/>

¹⁴ "Mars Veterinary Health North America Announces \$500 Million Investment," Mars, Inc., July 20, 2021, <https://www.mars.com/news-and-stories/press-releases-statements/mars-veterinary-health-north-america-announces-500>

"Mars Veterinary Health and Veterinary Leaders Team Up to Strengthen Hospital-Client Relationships," Banfield Pet Hospital, September 29, 2022, <https://www.banfield.com/about-banfield/newsroom/press-releases/2022/mars-veterinary-health-and-veterinary-leaders-team-up-to-strengthen-hospital-client-relationships>

¹⁶ "VCA Launches Urgent Care Hospitals," American Veterinary Medical Association, September 21, 2022, <https://www.avma.org/news/vca-launches-urgent-care-hospitals>.

¹⁷ "Locations," BluePearl Veterinary Partners, <https://careers.bluepearlvet.com/us/en/locations#:~:text=BluePearl%20Locations&text=Wherever%20you%20want%20to%20go.pet%20hospitals%20across%20the%20country>

¹⁸ "NVA Splits into Two Businesses, May Go Public in the Next Few Years," American Veterinary Medical Association, <https://www.avma.org/news/nva-splits-two-businesses-may-go-public-next-few-years>

operates more than 1,500 clinics under the National Veterinary Associates (NVA), Ethos Veterinary Health (Ethos) and Sage Veterinary Centers (Sage) umbrellas; VetCor¹⁹, with 883 locations in the US and controlled by Harvest Partners, LP and Cressey and Company LP; Shore Capital Partners, which owns a controlling stake in both the Mission²⁰ Veterinary Partners and Southern Veterinary Partners, which they plan to merge into one entity with more than 730 clinics; PetVet²¹ Care Centers (PetVet) now with 450 clinics and owned by KKR²²; and TSG Consumer, which owns the 380 strong Thrive Pet Healthcare²³ (Thrive) chain of veterinary clinics. Many of these chains have grown rapidly. When JAB purchased NVA²⁴, it consisted of half the number of clinics the private equity arm now controls.²⁵ Similarly, the PetVet chain²⁶ consisted of 125 hospitals when it was acquired by KKR in 2017 and has since increased in size by 260%.

As both stand-alone clinics and smaller chains are snapped up by the largest consolidators, they frequently keep their former name, a deceptive practice that leaves customers none the wiser. In Arizona, a study by consumer advocate Todd Nemet²⁷ found that fewer than 15 percent of corporate owned practices put their names on their individual veterinary clinics. (Ownership is so well hidden²⁸, in some cases, that Nemet resorted to career websites like Glassdoor to determine ownership of many clinics.) And even named chains themselves are often larger than they appear. Few consumers appear aware that Banfield, VCA and BluePearl are all owned by Mars, Inc., or that Ethos, Sage and NVA are owned by JAB, or that three out of the four Access hospitals are part of TSG's Thrive chain, with only one location owned independently.

¹⁹ "Our Practices," VetCor, <https://www.vetcor.com/about-us/our-practices>

²⁰ Ross Kelly, "Veterinary chains Mission, Southern plan merger," VIN News Service, August 7, 2004, <https://news.vin.com/default.aspx?pid=210&Id=12221520&f5=1>

²¹ PetVet Care Centers, <https://www.petvetcarecenters.com/site/home>

²² Carmen Arroyo and Paula Seligson, "KKR Nears \$2.3 Billion Private Loan for PetVet Recapitalization," Bloomberg.com, October 24, 2023, <https://www.bloomberg.com/news/articles/2023-10-24/kkr-nears-2-3-billion-private-loan-for-petvet-recapitalization>

²³ "Thrive Pet Healthcare," TSG Consumer Partners, <https://www.tsgconsumer.com/pets/thrive-pet-healthcare#:~:text=The%20Company%20is%20a%20leading,to%20under%2Derved%20pet%20families>

²⁴ Denise Hearn, Krista Brown, Taylor Sekhon, and Erik Peinert, "The Roll-Up Economy," AELP, December 15, 2022, <https://www.economicliberties.us/our-work/the-roll-up-economy/>

²⁵ <http://www.economicliberties.us/wp-content/uploads/2022/12/Serial-Acquisitions-Working-Paper-R4-2.pdf>

²⁶ "Deep-pocketed KKR buys the PetVet Chain," Today's Veterinary Business, January 1, 2018, <https://todaysveterinarybusiness.com/deep-pocketed-kkr-buys-petvet-chain/>

²⁷ "Is Your Local Hospital Corporate Owned?" Pets.care, <https://www.pets.care/is-your-local-animal-hospital-corporate-owned/>

²⁸ Helaine Olen, "Why Your Vet Bill is So High," The Atlantic, April 25, 2024, <https://www.theatlantic.com/ideas/archive/2024/04/vet-private-equity-industry/678180/>

This is giving the larger players even more power over their customers as it hides the possible extent of their growing footprint. Pet owners can believe they are visiting independent practices when, in fact, they are using a location of a multinational corporation that might well own multiple veterinary clinics within a short drive of one another. While the veterinary chains do not admit monopolization is a long-term goal, observers of the industry are less shy. Consultancy KPMG²⁹ wrote last year that “large players have capitalized on the sector’s fragmentation” with the goal of “consolidating competitors to establish regional dominance.”

In addition, there is also an increasing level of vertical integration in the veterinary business. Mars³⁰ Petcare is the leading pet food company in the United States with about 50 popular brands under its corporate umbrella including Royal Canin, Whiskas, Orijen and Iams. (Number two pet food company is Nestle Purina, which itself owns a minority stake in IVC Evidensia, the largest veterinary provider in Europe.) Mars Petcare also owns animal laboratory Antech Diagnostics³¹, itself created by multiple acquisitions³². When VCA was still a publicly traded company (prior to its purchase by Mars) it reported Antech was performing the bloodwork³³ for more than half of US animal hospitals. Mars Petcare also owns veterinary practice management software and has a controlling stake in online veterinary pharmacy Vetsource³⁴

JAB spent \$4 billion³⁵ purchasing pet insurers in 2022-2023 and now either owns or holds an investment stake in multiple lines of pet insurance through its subsidiary the Independence Pet Group including Pets Best, ASPCA Pet Insurance and Pumpkin Pet Insurance. JAB also owns the Pinnacle Group, the largest provider of pet insurance in

²⁹ "KPMG Veterinary M&A Industry Trends," KPMG, *Veterinary M&A Industry Trends*, pg. 2, 2023, https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2022/kpmg_veterinary-2023.pdf.

³⁰ "Mars, Incorporated," Mars, Inc., <https://www.mars.com/our-brands>

³¹ Courtney, "VCA Antech Acquired," Cause Digital Marketing, January 9, 2017, <https://causedigitalmarketing.com/pet-business-marketing/news/vca-antech-acquired>

³² "ANtech Diagnostics Acquires Leading Canadian Animal Reference Laboratory Biovet," ANtech Diagnostics, October 23, 2019, <https://www.antechdiagnostics.com/news/antech-diagnostics-acquires-leading-canadian-animal-reference-laboratory-biovet-1/>

Kate Andrews, "Mars Acquires Two Veterinary Diagnostics Businesses," Virginia Business, July 3, 2024, <https://www.virginiabusiness.com/article/mars-acquires-two-veterinary-diagnostics-businesses/>

Zachary M. Wright, DVM DACVIM, "Mars Completes Acquisition of Heska, Global Provider of Advanced Veterinary Diagnostic and Specialty Solutions," ANtech Diagnostics, June 13, 2023, <https://www.antechdiagnostics.com/news/heska-is-now-an-antech-company/>

"Archimed and Management Have Sold Eurolyser to ANtech Diagnostics, a Subsidiary of Mars Veterinary Health," Lincoln International, 2022, <https://www.lincolnternational.com/transactions/archimed-and-management-have-sold-eurolyser-to-antech-diagnostics-a-subsiary-of-mars-veterinary-health/>

³³ Jason Clenfield, "The High-Cost, High-Risk World of Modern Petcare," Bloomberg Businessweek, January 5, 2017, <https://www.bloomberg.com/news/features/2017-01-05/when-big-business-happens-to-your-pet>

³⁴ Lisa Wogan, "Mars to take controlling stake in Vetsource," VIN News Service, May 17, 2021, <https://news.vin.com/default.aspx?pid=210&Id=10254890&f5=1>

³⁵ Edie Lau, "Pet insurance in the U.S.: a 'failure'?" VIN News Service, August 19, 2024, <https://news.vin.com/default.aspx?pid=210&Id=12233018&useobjectypeid=10&fromVINNEWSASPX=1&f5=1>

Europe. These vertical integrations are clearly undertaken with the intent of increasing business for all the pet offerings of the parent company. In the 2023 corporate report³⁶, the JAB wrote, “Our ambition is to be a global leader in pet insurance. Our vision is to build a full-stack, omni-channel and multi brand global pet insurance business with adjacent pet services to enhance the customer journey.” But as with the actual ownership of the clinics, few customers are likely aware of this level of vertical integration.

And as vertical and horizontal integration occurred, veterinary prices increased significantly, up by 60 percent³⁷ over the past decade. It’s quite possible there is an umbrella effect occurring: with price increases at one chain giving cover to others to also raise their fees for services. Even as overall annual inflation rate has fallen under three percent, the same is not true for veterinary care. The Consumer Price Index for urban consumers for veterinarian services routinely increases at more than double the rate of the overall figure. In August of 2024³⁸, the last month for which figures are available, CPI for urban consumers cooled to 2.5 percent year over year, while for veterinarian services it was more than double that at 7.6 percent year over year.

While the large groups blame everything from the need to invest in aged practices³⁹ to increasing salaries for animal care workers for the price increases, veterinarians who work for practices when they are acquired by corporate consolidators often tell a more complicated story. A survey published last year⁴⁰ in the Journal of the American Veterinary Medical Association (AVMA) found that vets working for large corporations reported more pressure to generate revenue, while those working for independent practices reported a higher level of satisfaction by such metrics as “ability to acquire new large equipment” and “ability to get new/different drugs.”

In fact, veterinarians frequently report significant price increases beginning shortly after a practice is acquired by a consolidator. A preliminary⁴¹ unpublished study by Emma Harris, the vice-president of Vetster, a veterinary telemedicine startup, found significant price differences between corporate and independently owned animal medical clinics in the same geographic region, with the differential beginning “immediately after the sale to a private-

³⁶ JAB Holding Company, "Annual Report 2023," pg. 9, https://www.iabholco.com/documents/2/JAB_Holding_Company_S.ar.1-Annual_Report-2023.pdf

³⁷ Katie Thomas, "Why You're Paying Your Veterinarian So Much," The New York Times, June 23, 2024, <https://www.nytimes.com/2024/06/23/health/pets-veterinary-bills.html>

³⁸ U.S. Bureau of Labor Statistics. (2024, September 11). *Table 2, Consumer Price Index for all urban consumers (CPI-U)*. Economic News Release. <https://www.bls.gov/news.release/cpi.t02.htm>

³⁹ Helaine Olen, "Why Your Vet Bill is So High," The Atlantic, April 25, 2024, <https://www.theatlantic.com/ideas/archive/2024/04/vet-private-equity-industry/678180/>

⁴⁰ Kogan, L. R., & Rishniw, M. (2023). Differences in perceptions and satisfaction exist among veterinarians employed at corporate versus privately owned veterinary clinics. *Journal of the American Veterinary Medical Association*, 1(aop), 1-9

⁴¹ Helaine Olen, "Why Your Vet Bill is So High," The Atlantic, April 25, 2024, <https://www.theatlantic.com/ideas/archive/2024/04/vet-private-equity-industry/678180/>

equity owned group.” Fortune⁴² was able track a near one hundred percent increase in the price of a cat urinalysis at an unnamed New York City veterinary practice. It cost \$42 in 2021, a year before it sold to a private-equity backed company. It’s now \$86.

There are also reports of mounting pressure to upsell pet owners on services after the acquisition is made. VCA – when it was publicly traded prior to its purchase by Mars in 2017 – all but admitted this was a profit strategy, saying in SEC filings⁴³ filed prior to it getting taken private they planned to increase revenue “by increasing the number and intensity of the services received during each visit.” One California veterinarian⁴⁴ recently told the New York Times she left her job with a corporate consolidator after management told her that her “cost per client” was too low. In turn, pet owners report pressure to agree to multiple, perhaps excessive or unnecessary and expensive diagnostic tests. In some cases, they come to believe the pricey tests come at the cost of more hands-on care.

Another potential explanation for the inflation in the veterinary sector lies in the method some of these consolidators use to acquire clinics and the longer than average hold times private equity firms are currently experiencing. They frequently make the purchase using the leveraged debt placed on the books of the acquired company. For PetVet, ⁴⁵that debt is currently paying holders an annual interest rate of more than 11 percent. The private equity model⁴⁶ is often not for the long haul – the average hold time for a business is typically between 4 and 6 years, though that increased to seven years in 2023, as high interest rates put a crimp in mergers and acquisition activity.

Many private equity outfits and corporate consolidators were attracted to the industry because they believed they saw easy profits in capitalizing on the developed world’s increasing infatuation with and spending on pets, a “low-risk, high-profit” investing opportunity in the words of investment bank Capstone Partners⁴⁷. Investors appear determined to keep it that way, even if the reality has proven more complicated.

Unlike in human medicine, there is no legal requirement to treat animal patients in need. As costs have increased, the number of pets receiving veterinary treatment is decreasing

⁴² Luisa Beltran, "Many Americans can't afford vet care. Is a new business model to blame?" Fortune, May 9, 2024, <https://fortune.com/2024/05/09/private-equity-petco-pets-inflation-covid-19-veterinary-clinics-vet-hospitals-rabbits-dogs/>

⁴³ United States Securities and Exchange Commission, "Form 10-K, VCA Inc," February 28, 2017, <https://www.sec.gov/Archives/edgar/data/817366/000162828017001885/woof-2016x12x31x10k.htm>

⁴⁴ Katie Thomas, "Why You're Paying Your Veterinarian So Much," The New York Times, June 23, 2024, <https://www.nytimes.com/2024/06/23/health/pets-veterinary-bills.html>

⁴⁵ Carmen Arroyo and Paula Seligson, "KKR Nears \$2.3 Billion Private Loan for PetVet Recapitalization," Bloomberg.com, October 24, 2023, <https://www.bloomberg.com/news/articles/2023-10-24/kkr-nears-2-3-billion-private-loan-for-petvet-recapitalization>

⁴⁶ Cherry Bekaert, "Private equity midyear 2024 report," <https://www.cbh.com/guide/reports/private-equity-midyear-2024-report/#:~:text=The%20median%20holding%20period%20of,historic%20average%20of%203.2%20years>

⁴⁷ Capstone Partners, "Pet & Animal Care Sector M&A Update – August 2022," <https://www.capstonepartners.com/insights/article-pet-sector-ma-update/>

According to the AVMA, even as veterinary practice revenue has increased year over year by 3.4 percent and revenue from services received by 3.8 percent from July of 2023 to July of 2024, visits have declined by 2.5 percent. Similarly, distribution of heartworm medication is down by more than 6 percent over the same period.⁴⁸ There has also been an uptick in animals entering the shelter system, an increase that is partially attributed by some shelter directors and other observers to the rising cost of animal medical care.

Some consolidators are believed to be struggling – S&P Global Ratings downgraded Thrive’s bonds to junk status earlier this year, citing “lower overall volumes in the industry” and the company’s negative cash flow⁴⁹. One private equity investor admitted⁵⁰ to Fortune that the declining number of owners seeking treatment is in part responsible for the price increases in the sector because even as demand is slowing, investors still demand high profits. “Firms are trying to protect the cash flow and profitability of all the vet practices that aren’t as busy,” he told the magazine. This combination of financial pressure can both degrade the quality of services even as the cost rises. It’s what has happened in human medical care. A body of research⁵¹ shows that when private equity investors take over a hospital or private physician practice, prices and the number of high-price procedures performed increases. Both the medical error rates and costs to patients increase too.

Instead of addressing the broader cost crisis, many in the veterinary industry point to pet insurance as a way of making veterinary care affordable for pet owners. Yet despite an ongoing sales push, a mere four percent⁵² of pet owners possess pet insurance, and many do not renew it. Due to inflation in the veterinary sector, insurance costs are rising sharply. At the same time, it is increasingly non-viable for insurers. Nationwide cancelled⁵³ 100,000 veterinary policies this year, citing veterinary services inflation as the cause. Because there

⁴⁸ "Veterinary Industry Tracker," American Veterinary Medical Association, <https://www.avma.org/resources-tools/veterinary-economics/veterinary-industry-tracker>

⁴⁹ "Pathway Vet Alliance LLC Downgraded To 'CCC+' On Cash Flow Deficits And Deteriorating Liquidity, Outlook Negative," S&P Global, April 12, 2024, <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3152385>

⁵⁰ Luisa Beltran, "Many Americans can't afford vet care. Is a new business model to blame?" Fortune, May 9, 2024, <https://fortune.com/2024/05/09/private-equity-petco-pets-inflation-covid-19-veterinary-clinics-vet-hospitals-rabbits-dogs/>

⁵¹ Helaine Olen, "Why Your Vet Bill is So High," The Atlantic, April 25, 2024, <https://www.theatlantic.com/ideas/archive/2024/04/vet-private-equity-industry/678180/>

- Alexandra Borsa, Gabriela Bejarano, Melissa Ellen, & Jonathan D. Bruch, "Evaluating trends in private equity ownership and impacts on health outcomes, costs, and quality: A systematic review," BMJ, July 19, 2023, <https://www.bmj.com/content/382/bmj-2023-075244>
- Kannan, S., Bruch, J. D., & Song, Z. (2023). Changes in hospital adverse events and patient outcomes associated with private equity acquisition. *JAMA*, 330(24), 2365–2375. <https://doi.org/10.1001/jama.2023.23147>

⁵² KPMG International, "Amplifying pet and veterinary care business value," January 2024, <https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2024/petcare-innovation-perspectives-jan-2024.pdf>

⁵³ Kate Gibson, "Nationwide to drop about 100,000 pet insurance policies," CBS News, June 17, 2024, <https://www.cbsnews.com/news/nationwide-pet-insurance-policies-dogs-cats/>

is no ban on pre-existing condition exclusions for pets, this has left pet owners who need the protection the most in a potentially perilous financial condition.

Yes, there may be pets benefitting from increased access to MRIs, cancer treatment, and emergency services, but this, for the most part, is only true for pet owners who are willing and able to pay the ever-increasing costs.

WORKER IMPACTS

The Request for Information also asked about the impact on workers. As these large veterinary practices developed, veterinarian interest in owning a practice of one's own has fallen as corporate ownership of practices increased. While many in the field⁵⁴ say they believe the new generation of veterinarians is simply less interested in entrepreneurship, that does not dovetail with other sectors of the economy, where entrepreneurial efforts are on the rise.⁵⁵ Common sense says the more likely culprit is in increased unaffordability of buying a veterinary practice, something that is due, in large part, to veterinary consolidators driving up the purchase prices of stand-alone clinics.

Veterinary practices traditionally⁵⁶ sold for between four- and six-times earnings before interest, taxes, depreciation and amortization (EBITDA). The price began to climb rapidly as corporate buyers and private equity took a greater interest in the profession, climbing to eight to 13 times EBITDA prior to the pandemic. Practice prices soared in tandem with private equity moves in the post pandemic period, increasing to as much as 18 times EBITDA before falling back down to eight to 13 times EBITDA. But this remains unaffordable for many veterinarians, especially given the high levels of student debt among a large majority of recent veterinary school graduates

We've seen this dearth of independently owned practices occur in the human healthcare space as private equity moved into the sector. In the 1980s, about 70 percent of physicians owned their own medical practice, but that figure is now more than reversed, with 77 percent employed by a hospital or corporation.^{57 58}

⁵⁴ Jeff Rothstein, "Who wants to be a practice owner," dvm360, August 2022, <https://www.dvm360.com/view/who-wants-to-be-a-practice-owner->

⁵⁵ Fikri, K., & Newman, D. (2024, January 17). *How the pandemic rebooted entrepreneurship in the U.S.* Harvard Business Review. <https://hbr.org/2024/01/how-the-pandemic-rebooted-entrepreneurship-in-the-u-s#:~:text=The%20American%20Community%20Survey%20finds.same%20states%20as%20business%20applications>

⁵⁶ The Ackerman Group, "What is normalized EBITDA and why is it so important?," April 2024, <https://ackerman-group.com/practice-valuation/what-is-normalized-ebitda-and-why-is-it-so-important/>

⁵⁷ McCarthy, P. (2021, April 7). *Can independent primary care doctors survive dominance of hospital health systems?* Connecticut Health I-Team. <https://c-hit.org/2021/04/07/can-independent-primary-care-doctors-survive-dominance-of-hospital-health-systems/>

⁵⁸ Physicians Advocacy Institute. (2024, April). *Updated report: Hospital and corporate acquisition of physician practices and physician employment, 2019-2023.* <https://www.physiciansadvocacyinstitute.org/Portals/0/assets/docs/PAI-Research/PAI->

In veterinary care⁵⁹, the rising number of veterinarians employed by corporations could be playing a role in the documented shortage of veterinarians, one that became particularly pronounced during the pandemic period. Many veterinarian employees⁶⁰ are bound by noncompete agreements, leaving them unable to work for another practice in their specialty for anywhere from months to years if they want to leave their current employer. When the FTC⁶¹ initially issued its proposed rule banning companies from imposing noncompete contracts on their workers, a number of veterinarians submitted informational comments, with Mars's BluePearl clinics in particular being called out for their highly restrictive contracts. While non-compete contracts have unfortunately long been a presence in veterinary medicine in some states, they have become both more common and more restrictive as the corporate and private equity backed firms entered the space with, for example, in some cases, clauses saying the veterinarian not only cannot work within a specific mile radius of the clinic they are employed at, but that they cannot work at any practice located within a particular distance of any of the corporate parent's clinics.⁶²

These contracts are also likely contributing to the difficulty pet owners⁶³ report gaining timely appointments with pets, particularly in life-saving areas like cardiology and oncology. A number of veterinarians who sent in comments when the FTC sought information on its initial noncompete proposal asserted they were prevented from practicing their specialty in a designated geographic area even when there were either significant backlogs or no one else available at all to service pets and the owners. In one instance, a veterinary cardiologist formerly employed by BluePearl alleged the company's strict enforcement of his noncompete agreement left Atlanta without any practicing veterinary cardiologist for a three-month period during the pandemic.

[Avalere%20Physician%20Employment%20Trends%20Study%202019-2023%20Final.pdf?ver=uGHF46u1GSeZgYXMKFyYvw%3d%3d](https://www.ftc.gov/avalere%20Physician%20Employment%20Trends%20Study%202019-2023%20Final.pdf?ver=uGHF46u1GSeZgYXMKFyYvw%3d%3d)

⁵⁹ Wilkie, L. (2023, January). *Leashed: How veterinarian noncompetes accelerated industry consolidation*. Columbia Law School. <https://jilsp.law.columbia.edu/files/2023/03/Vol56-3-Wilke.pdf>

⁶⁰ Wilkie, L. (2023, January). *How veterinarian noncompetes accelerated industry consolidation*. Columbia Law School. <https://jilsp.law.columbia.edu/files/2023/03/Vol56-3-Wilke.pdf>

⁶¹ "FTC Proposes Rule to Ban Noncompete Clauses, Which Hurt Workers and Harm Competition," Federal Trade Commission, January 5, 2023, <https://www.ftc.gov/news-events/news/press-releases/2023/01/ftc-proposes-rule-ban-noncompete-clauses-which-hurt-workers-harm-competition>

⁶² Beth Adams, "Trouble finding a vet? An upcoming decision by Hochul could improve access," WXXI News, December 19, 2023, <https://www.wxxinews.org/local-news/2023-12-19/trouble-finding-a-vet-an-upcoming-decision-by-hochul-could-improve-access>

⁶³ Brandon Pogue, "Comment posted by [FTC-2023-0007-4507](https://www.regulations.gov/comment/FTC-2023-0007-4507)," Regulations.gov, January 19, 2023, <https://www.regulations.gov/comment/FTC-2023-0007-4507>
Comment Submitted by FTC-2023-0007-2199," Regulations.gov, January 12, 2023, <https://www.regulations.gov/comment/FTC-2023-0007-2199>
Michael Stracener, "Comment from Stracener," posted by the Federal Trade Commission on March 15, 2023, Regulations.gov, <https://www.regulations.gov/comment/FTC-2023-0007-9500>
Vanessa Rizzo, "Comment from Rizzo," posted by the Federal Trade Commission on March 2, 2023, Regulations.gov, <https://www.regulations.gov/comment/FTC-2023-0007-7084>

Moreover, noncompetes are putting pressure on independently owned practices by limiting their local talent pool.⁶⁴ Corporate and privately owned consolidators are offering higher salaries to attract talent— who then find themselves unable to change jobs (including to pursue better, safer working conditions) without risking a legal lawsuit. While we should welcome the higher pay for veterinarians, it is coming at the cost of a significant loss of economic freedom for veterinarians. In addition, pay for mid-level veterinarians⁶⁵ does not appear to be increasing at the same rate, leaving them economically treading water as, again, they are restricted in their ability to seek a new position. At the same time, a combination of non-competes restricting geographic mobility and high price of purchasing a practice – again, something caused by the rush of private equity and corporate money into the sector – is making it harder for them to become owners and build up equity.⁶⁶ The FTC’s ban on non-competes, when it goes into effect, should be helpful in increasing mobility in the veterinary industry. The FTC should also use its authority⁶⁷ under Section 5 of the FTC Act to target noncompetes on a case-by-case basis, prioritizing the market players that have the most market power.

RECOMMENDATIONS

There is growing concern around the globe and not just in the United States about the quick pace of veterinary consolidation. In Great Britain⁶⁸, where veterinary consolidators own an estimated 60 percent of veterinary practices (up from 10 percent ten years ago), the Competition and Markets Authority opened a formal market investigation into the sector earlier this year, following a preliminary query.

Here in the United States, the Federal Trade Commission has been aware for the better part of a decade that corporate consolidation is an ongoing issue in the veterinary business. When Mars acquired VCA⁶⁹ the FTC, as a condition of the merger, mandated the company

⁶⁴ Wilkie, L. (2023, January). *How veterinarian noncompetes accelerated industry consolidation*. Columbia Law School. <https://jlsplaw.columbia.edu/files/2023/03/Vol56-3-Wilke.pdf>

⁶⁶ “Comment Submitted by FTC-2023-0007-7702,” Regulations.gov, March 3, 2023, <https://www.regulations.gov/comment/FTC-2023-0007-7702>
Benjamin Davidson, “Comment posted by FTC-2023-0007-1541,” Regulations.gov, January 12, 2023, <https://www.regulations.gov/comment/FTC-2023-0007-1541>
Janet Bailey, “Comment posted by FTC-2023-0007-15158,” Regulations.gov, April 17, 2023, <https://www.regulations.gov/comment/FTC-2023-0007-15158>

⁶⁷ “Section 5(a) of the FTC Act,” Federal Reserve, <https://www.federalreserve.gov/boarddocs/supmanual/cch/200806/ftca.pdf>

⁶⁸ Anna Wise, “Are vets ripping off pet owners? What you need to know,” *The Independent*, March 12, 2024, <https://www.independent.co.uk/news/uk/home-news/vets-cost-pets-medicine-investigation-b2511334.html>.

“CMA Takes Next Procedural Step in Vet Services Investigation,” Gov.UK, July 9, 2024, <https://www.gov.uk/government/news/cma-takes-next-procedural-step-in-vet-services-investigation>

⁶⁹ FTC Alters Final Consent Order in Response to Public Comments, Preserving Competition for Specialty and Emergency Veterinary Services in 10 U.S. Localities,” Federal Trade Commission Press Releases, December 19,

sell 12 practices around the nation to rivals NVA, Pathway Partners Vet Management Company (Pathway) and PetVet. Pathway itself was sold⁷⁰ in 2020 to TSG in 2020. All three chains are now significantly larger than they were in 2017.

And then in 2022, the FTC issued two rulings⁷¹ demanding JAB divest itself of several clinics in California, Texas, Virginia and Colorado to complete a merger. In the first ruling, it also demanded the company seek prior approval from the FTC before acquiring any specialty or emergency clinic within 25 miles of one it already owned in Texas and California, as well as giving the FTC 30 days advance notice in writing any such clinic within 25 miles of one already owned by the company anywhere in the United States. In the second ruling, it expanded its requirement for prior approval to Colorado, the District of Columbia, Maryland and Virginia.

In her [written comments at the time](#),⁷² FTC chair Lina Khan said she feared these one-by-one purchases could lead to the development of a stealth monopoly. She reiterated these fears⁷³ last year, when she spoke to AVMA's Veterinary Business and Economic Forum. "Time after time, we've been hearing from veterinarians about how various trends in the industry, including consolidation and financialization and the proliferation of noncompetes, may be undermining the business of veterinary services and making it more difficult to provide quality service," she said.

But more attention is needed. It's quite possible the industry is approaching a high level of consolidation with almost no one aware of the change. If left unaddressed, this could lead to a further increase in prices, along with possible declines in service. There will almost certainly be more opportunities for FTC investigations, blocking harmful serial transactions

2017, <https://www.ftc.gov/news-events/news/press-releases/2017/12/ftc-alters-final-consent-order-response-public-comments-preserving-competition-specialty-emergency>

⁷⁰ Sarah Pringle, "Morgan Stanley's Capital Pathway goes to TSG for \$2.65 bn," PE Hub, March 15, 2020, <https://www.pehub.com/morgan-stanley-capitals-pathway-goes-to-tsg-for-2-65bn/#:~:text=Representing%20the%20largest%20in%20the,the%20people%20told%20PE%20Hub>

⁷¹ "FTC Acts to Protect Pet Owners from Private Equity Firm's Anticompetitive Acquisition of Veterinary Services Clinics," Federal Trade Commission Press Releases, June 13, 2022, <https://www.ftc.gov/news-events/news/press-releases/2022/06/ftc-acts-protect-pet-owners-private-equity-firms-anticompetitive-acquisition-veterinary-services>.

"FTC Takes Second Action Against JAB Consumer Partners to Protect Pet Owners from Private Equity Firm's Rollup of Veterinary Services Clinics," Federal Trade Commission Press Releases, June 19, 2022, <https://www.ftc.gov/news-events/news/press-releases/2022/06/ftc-takes-second-action-against-jab-consumer-partners-protect-pet-owners-private-equity-firms-rollup-of-veterinary-services-clinics>.

⁷² Lina M. Khan, Rebecca Kelly Slaughter, and Alvaro M. Bedoya, "Statement of Chair Lina M. Khan Joined by Commissioner Rebecca Kelly Slaughter and Commissioner Alvaro M. Bedoya In the Matter of JAB Consumer Fund/SAGE Veterinary Partners Commission File No. 2110140," Federal Trade Commission, June 13, 2022, https://www.ftc.gov/system/files/ftc_gov/pdf/2022.06.13%20-%20Statement%20of%20Chair%20Lina%20M.%20Khan%20Regarding%20NVA-Sage%20-%20new.pdf

⁷³ Malinda Larkin, "FTC Chair Discusses Veterinary Trends at AVMA Economic Meeting," AVMA News, October 26, 2023, <https://www.avma.org/news/ftc-chair-discusses-veterinary-trends-avma-economic-meeting#:~:text=%22Time%20after%20time%2C%20we',quality%20service%2C%22%20Khan%20said>

and possibly unwinding previous transactions. It was reported earlier this year⁷⁴ that at least one private-equity-backed emergency pet clinic chain – MedVet – is for sale, and not only is there industry speculation that other private-equity-owned veterinary groups could be as well, especially if the financial pressures in the segment continue to intensify for some of the consolidators. Reportedly, the likely buyer is Mars – which already owns the Banfield, BluePearl, and VCA chains.⁷⁵

There is statutory authority for increased action over serial roll-ups. Section 7 of the Clayton Act⁷⁶ condemns as illegal any merger whose effect “may be substantially to lessen competition, or to tend to create a monopoly.” In addition, the FTC issued a policy brief in 2022 outlining that violations of Section 5 of the FTC Act include “*a series of mergers, acquisitions, or joint ventures that tend to bring about the harms that the antitrust laws were designed to prevent, but individually may not have violated anti-trust laws.*”⁷⁷ The antitrust laws give the FTC the power to challenge horizontal and vertical mergers. In addition, in *Brown Shoe Co. v. United States*, the Supreme Court recognized that Congress intended to “arrest restraints of trade in their incipiency” and prevent “even small mergers that add[] to concentration in an industry.”⁷⁸⁷⁹

The 2023 merger guidelines⁸⁰ adopted by the FTC and DOJ last year also offer a rationale for action. The guidelines address both horizontal and vertical mergers, as well as serial investments and private equity rollups, and make it clear that mergers that are “part of a series of multiple acquisitions” or ones that otherwise decrease competition in any line of commerce in any section of the country warrant scrutiny for potential violations of anti-trust statutes. The ongoing acquisitions in the veterinary industry meet both criteria.

⁷⁴ Michael Schoeck, "Goldman, SkyKnight explore options for veterinary hospital MedVet, sources say," PE Hub, May 15, 2024, <https://www.pehub.com/goldman-skyknight-explore-options-for-veterinary-hospital-network-medvet-sources-say/>

⁷⁵ Luisa Beltran, "Many Americans can't afford vet care. Is a new business model to blame?" Fortune, May 9, 2024, <https://fortune.com/2024/05/09/private-equity-petco-pets-inflation-covid-19-veterinary-clinics-vet-hospitals-rabbits-dogs/>

⁷⁶ *Brown Shoe Co. v. United States*, 370 U.S. 294 (1962). The FTC laws give ... In *Brown Shoe Co. v. United States*, 370 U.S. 294 (1962), the Supreme Court recognized that Congress intended to “arrest restraints of trade in their incipiency” and prevent “even small mergers that add[] to concentration in an industry.” *Id.* at 323 n.39, 376

⁷⁷ “Policy Statement Regarding the Scope of Unfair Methods of Competition Under Section 5 of the Federal Trade Commission Act,” Federal Trade Commission, November 10, 2022 https://www.ftc.gov/system/files/ftc_gov/pdf/P221202Section5PolicyStatement.pdf

⁷⁸ Krista Brown, Matt Buck, Pat Garofalo, Lucas Kunce, Sarah Miller, Kalen Pruss, Reed Showalter, Matt Stoller, and Olivia Webb, "The Courage to Learn," American Economic Liberties Project, January 2021, http://www.economicliberties.us/wp-content/uploads/2021/01/Courage-to-Learn_12.12.pdf

⁷⁹ Yasemin Craggs Mersinoglu, Antoine Gara, Stefania Palma, and Javier Espinoza, "Lipsticks, lattes ... and now Labradors: Inside JAB's bet on pets," Financial Times, July 11, 2022, <https://www.ft.com/content/f32bee39-0ddf-47a3-8560-67838e7c9089>.

⁸⁰ "2023 Merger Guidelines," U.S. Department of Justice, <https://www.justice.gov/atr/2023-merger-guidelines>

In addition, the proposed revisions of the HSR premerger notification form⁸¹ will, if approved, provide more valuable information than the current forms. Merging companies will be required, as part of the approval process, to submit a rationale for their proposed merger, information on horizontal products and services as well as vertical business arrangements, projected revenue streams, a detailed acquisition history, and the proposed merger's impact on labor market issues. This will help FTC staff identify serial roll-ups and potential stealth monopolies in real-time, as they are occurring, and take steps to put a stop to them. The American Economic Liberties Project is calling for these rules to be approved and finalized as soon as possible.

The FTC's noncompete ban, when it takes effect, will also serve to push back against consolidation in the veterinary sector. These contracts are effectively preventing any number of veterinarians from switching employers or opening their own practice and are an unfair method of competition. The FTC has the authority to ban noncompete contracts under Section 5 of the FTC Act which gives it the power to put a stop to "Unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce."

The FTC should also investigate discrimination in the sale of medical inputs like laboratory diagnostic equipment and pharmaceutical purchases needed for animal medical care, to ensure smaller veterinarians are not disadvantaged vis-a-vis the increasingly large and dominant chains. The FTC has the authority to do so under Section 13 of the Robinson-Patman Act, which makes it "unlawful for any [person](#) engaged in [commerce...](#) to discriminate in price between different purchasers of commodities of like grade and quality" except for price differences based on legitimate "differences in the cost of manufacture, sale, or delivery." One talking point that routinely surfaces when discussing the corporate consolidation of veterinary practices is that they will benefit from "economies of scale in purchasing and systems." These economies of scale are legal if they are based on increased efficiencies that lead to lower costs for suppliers and, in that case, there is nothing to fear from Robinson-Patman Act enforcement.⁸² They cannot, however, wield buyer power to extort discounts not based on volume and other cost savings— discounts that would, in that case, unfairly and illegally disadvantage independent vets.

Finally, states have long been concerned about non-medical professional ownership of medical practices, a concern that carries over to the veterinary field. Eighteen states⁸³ – including New York and Texas -- ban non-veterinarians from owning a veterinary practice. These laws are designed to ensure medical decisions are made independently by medical professionals, and not corporate managers. However, legal workarounds that originated in the human healthcare space are also used by the veterinary consolidators, and it is

⁸¹ "Premerger Notification Reporting and Waiting Period Requirements," Federal Register, <https://www.federalregister.gov/documents/2023/06/29/2023-13511/premerger-notification-reporting-and-waiting-period-requirements>

⁸² "Veterinary Consolidators: North American Market Analysis," Veterinary Integration Solutions, December 7, 2022, <https://vetintegrations.com/insights/veterinary-consolidators/>

⁸³ The Ackerman Group, "How do corporations own veterinary practices," August 4, 2023, <https://ackerman-group.com/current-market/corporations-own-practices/>

unchallenged by the states. A veterinarian can technically own the practice, but lease all or sell all its non-medical assets to what is called a management services organization owned by the consolidator. While both revenue and expenses go through the corporation owned by the veterinarian, it pays a management fee to the larger consolidator, and thus passes all profits back to it. These legal workarounds render the state law all but meaningless. While the FTC cannot enforce state laws, the agency does possess the authority to collaborate and share information with states Attorneys Generals. It should do this in the veterinary space, highlighting how these paper ownership arrangements serve to legally disguise corporate control of practices. Another benefit of information sharing is that it can help uncover potential violations of state unfair method of competition laws.⁸⁴

CONCLUSION

The FTC and DOJ request for information about serial acquisitions and roll-up strategies across the American economy is a needed initiative to shed light on a business consolidation method that often operates in the shadows. These ongoing efforts at market monopolization are potentially harmful to consumers, workers, and, in the case of the veterinary industry, pets. This investment strategies plays a large role in our overly concentrated and uncompetitive markets, and the more knowledge regulators can gain about them, the more effectively, they can take enforcement action to combat America's consolidation crisis.

⁸⁴ "Working Together to Protect Consumers," Federal Trade Commission, April 10, 2024, https://www.ftc.gov/system/files/ftc_gov/pdf/p238400_ftc_collaboration_act_report.pdf