



August 28, 2024

The Honorable Elizabeth Warren
United States Senate
255 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Richard Blumenthal
United States Senate
702 Hart Senate Office Building
Washington, DC 20510

Dear Senators Warren and Blumenthal:

Thank you for your August 6, 2024 letter and for the opportunity to provide information about our business. We share your longstanding commitment to consumer protection and welcome the opportunity to discuss our investments in the pet care industry.

Below we provide answers to questions posed in your letter and background on our company and how we operate. We have worked across our pet care teams at JAB, which include NVA¹ and Independence Pet Holdings (“IPH”), to try to provide comprehensive answers.

For additional context, while your letter and the related press release suggest that JAB has been engaged in the systematic consolidation of veterinary care, we believe it is important to note that NVA estimates that it operates fewer than 4% of all veterinary hospitals nationwide. Given the competitiveness of the industry and how fragmented it is overall, it is very difficult to see how JAB’s transactions in the industry could enable NVA to exercise market power by raising prices above competitive levels.

JAB is an Investment Firm Backed by Permanent Capital and Focuses on Long-Term Growth

JAB is an investment holding company with a track record of long-term investment and growth in iconic American companies—from Keurig Dr Pepper to Panera and Krispy Kreme. We have a philosophy of investing in companies over the long-term and empowering management teams to set and drive their strategies to help the companies grow, creating thousands of jobs and enhancing the consumer experience. Together our portfolio companies employ more than 145,000 Americans across all 50 states and the District of Columbia.

With roots going back to 1823, JAB’s cornerstone is the permanent capital of our founding family. Unlike a traditional private equity firm, JAB primarily invests this permanent capital, as well as additional funding from like-minded long-term equity partners, with the intent and long track record of staying in and supporting our investments, oftentimes for decades or more. JAB’s history demonstrates our strategy of identifying investment opportunities in growing sectors of the consumer goods and services industry; investing in them for the future; and

¹ When we refer to NVA, this also includes Ethos, the specialty and emergency vet hospital division of our business.

The Honorable Elizabeth Warren
The Honorable Richard Blumenthal
United States Senate
August 28, 2024
Page 2

realizing long-term sustainable growth of the businesses for the benefit of all our stakeholders, including management, employees and consumers. In this respect, JAB's structure and investment strategy is more like that of Berkshire Hathaway than a typical private equity firm.

Unlike some private equity firms, no company in which JAB has invested has filed for bankruptcy or otherwise gone out of business because of debt incurred in connection with JAB's acquisition of the business. This is not how we operate. JAB has a history of using its resources to provide companies with stronger financial backing and to support the growth of those businesses. This is especially true in difficult economic times. For example, during the COVID-19 pandemic, JAB supported all of its portfolio companies, including through capital injections to ensure long-term business continuity.

There have been no dividends related to the profits from NVA or IPH since they were acquired by JAB, with the only exception being modest annual dividend yields that have averaged approximately 1% of the equity value of the businesses. In fact, since JAB's acquisition of NVA in 2019, the cumulative dividends paid to NVA's veterinary practice partners (individual veterinarians) have been higher than the dividends paid by NVA to its investors. The reason for this lies in NVA's joint ownership model. NVA is the industry leader in joint ownership structures in its hospitals. A significant number of NVA veterinary clinics are owned in partnership with practicing veterinarians. This approach reinforces a culture of ownership and entrepreneurship within our hospitals. Not only do veterinarians make medical and business decisions in their practices, as owners, they also benefit directly from their success.

Another key difference from the traditional private equity model is JAB's strategy of maintaining a stable, anchor investment position in its holdings, even after the investment matures over time and transitions to a public company. The traditional private equity model is based on fully returning its invested capital to its investors and exiting a business investment over a reasonably short time period. In contrast, JAB has rarely exited an investment, and in the cases in which JAB has undertaken an IPO, it has typically remained a long-term anchor shareholder in those businesses. For example, JAB has been invested in Coty—a beauty company—since the 1980s. JAB completed the IPO of Coty in 2013 and is currently its majority shareholder. More recently, JAB brought two American companies to the public market—Keurig Dr Pepper and Krispy Kreme Inc.—and in each case JAB remains a long-term anchor shareholder. This demonstrated track record of long-term support for its investments is unheard of in the traditional private equity world. It is a key reason why owners and leaders of businesses have been attracted to partner with JAB, as JAB operates far more like a strategic partner than a private equity investor.

JAB supports the management of its portfolio companies in taking decisions that are consistent with their unique business models and strategies. JAB does not employ a broad strategy to generate short-term returns by selling off assets and distributing capital to investors. Since the 2019 acquisition of NVA, NVA has on limited occasions sold non-core assets in order to help focus its operations on its principal mission of delivering the best veterinary care. These

The Honorable Elizabeth Warren
The Honorable Richard Blumenthal
United States Senate
August 28, 2024
Page 3

transactions included a small number of sale and lease-back transactions. It also has included the construction of a few new facilities that were subsequently sold to real estate investment trusts. The total proceeds from these transactions were approximately 1% of the cost of our investment in veterinary care. None of these proceeds were used to return capital to shareholders.

Further, JAB portfolio companies do not, as a matter of course, engage in dividend recapitalization transactions. There have been no dividend recaps executed by NVA or IPH since they were acquired by JAB.

JAB's Proactive Cooperation with the FTC

We appreciate the opportunity to provide context around JAB's proactive cooperation with the Federal Trade Commission ("FTC") in connection with our veterinary care investments. We respect the FTC's regulatory authority and worked closely with the Commission on a framework to grow our vet care business in a way that allows for expansion of services while simultaneously preserving robust competition.

As a holding company with permanent capital and a long-term vision for the pet care space, we expected to work with regulators on ways to grow our business in a manner that ensures a competitive marketplace. Transparency and cooperation have been a cornerstone of our work with regulators, and we are proud of our work with the FTC as it reviewed the SAGE and Ethos transactions.

We undertook those transactions because those practices were largely *complementary* with NVA's existing veterinary practices and were fully transparent with the FTC at all times—even proactively working with agency staff to provide a detailed overview of the transaction *before* submitting our formal Hart-Scott-Rodino Act filing.

The SAGE transaction was largely complementary with only limited overlaps. In the one geographic area where we understood the FTC might have concerns, we *affirmatively* raised that geography with FTC staff and promptly offered a remedy. In one other geographic area where the FTC staff ultimately had concerns, rather than tie up the FTC's time and resources with litigation or drawn out negotiations, we worked in a collaborative manner to resolve all potential FTC concerns by agreeing to a complete divestiture in that other area, even though we respectfully did not believe there was an issue.

The same is true with NVA's acquisition of Ethos. Here again, we worked *proactively* with FTC staff to facilitate their investigation, answered their questions, and worked together to resolve all concerns. We voluntarily agreed to limited divestitures to resolve any potential competitive concerns rather than contest areas where we respectfully disagreed with the FTC's conclusions.

Finally, we note that as part of the consent order, we agreed, again without protracted negotiation nor litigation, to report future acquisitions in certain geographic areas regardless of the HSR

The Honorable Elizabeth Warren
The Honorable Richard Blumenthal
United States Senate
August 28, 2024
Page 4

reporting threshold, precisely because it has not been and is not the strategy of NVA to focus on acquisitions of locations near clinics it already owns. Simply put, JAB does not engage in “stealth rollups” that have been a legitimate concern and focus of your work.

These FTC consent orders are not examples of the FTC penalizing JAB for engaging in unlawful transactions, but normal voluntary settlement agreements to resolve narrow overlaps that we anticipated and that represented a very small aspect of larger procompetitive transactions. We are grateful for the dialogue and discussion with the FTC and appreciate their diligent work.

Investment in and Operation of Veterinary Practices

Investments

We believe that through the acquisitions we have made in veterinary care since 2019—including Compassion-First Pet Hospitals, National Veterinary Associates, SAGE Veterinary Partners, and Ethos Veterinary Health—JAB has provided veterinarians, employees, pets and pet parents a more stable owner; one that is invested in the long-term success and wellbeing of each veterinary practice. Our ownership is underpinned by a philosophy of ensuring that veterinarians continue to undertake medical decisions on their own. This unique approach is a core reason why owners and veterinarians have chosen to partner with JAB.

There have been remarkable advances in veterinary medicine, if not a complete revolution, in just the last 20 years. The innovations have meaningfully improved and increased the life of pets and the happiness of pet parents. Since 2019, NVA has invested over \$1 billion in non-acquisition-related capital expenditures to improve and expand its North American vet hospitals, which includes significant investments in advanced medical equipment, new technologies and innovative solutions. Studies show that improvements in pets’ lives lead to improvements in the lives of their owners. NVA, backed by its long-term shareholder JAB, continues to be a leader in this effort.

Veterinary innovation has historically lagged human healthcare, but as pets have become considered beloved family members, veterinary care is accelerating to catch-up. In fact, there are instances where clinical veterinary research is leading human health research. Ethos Veterinary Health is part of NVA and is a leading provider of specialty and emergency pet care in the U.S. It is devoted to advances in animal health clinical research, cutting-edge medicine, and a commitment to train and grow talented new veterinarians. It offers pet families advanced medicine in areas like advanced on-site diagnostics including MRI, CT, Varian Radiation Therapy, PET scans, fluoroscopy, and more.

NVA Operations

In the area of general practice, NVA focuses on accessible and affordable veterinary care. Our investments in this area focus on improving the convenience of pet care by adding a holistic care

experience (e.g., virtual care, online scheduling, preventative care, food, and prescriptions) at high-quality facilities with doctors and technicians who can effectively and efficiently serve pets and their pet families.

To provide additional context about JAB's investment in the veterinary services industry, it is helpful to understand the partnership model that dates back 25 years when Dr. Stan Creighton, a veterinarian, founded NVA. When veterinarians or veterinary practices decided to partner with NVA, they often did so in one of two contexts: (1) they were retiring and had no one else in the family (or among their veterinary partners) able to take on, or interested in taking on, the practice, or (2) they wanted to spend more time practicing medicine and treating pets, and less time running a business.

Partnering with NVA enabled veterinarians to ensure continuity of veterinary services for the communities they serve. For example, for veterinarians hoping to focus more on practicing medicine, NVA primarily took on their back-office and administrative functions (e.g., accounting, legal, procurement, human resources, training, marketing, etc.), which relieved these burdens and helped these veterinarians save time and focus on treating pets.² In many cases, being able to partner with NVA ensured continuity of care for patients served by practices that might otherwise have simply shut down upon the founding veterinarian's retirement.

NVA also has supported vet recruiting, helping these local practices identify and hire valuable team members to meet the needs of their communities. In addition, NVA has provided capital investments to offer life-saving equipment like MRIs and C-Arms into vet hospitals, as well as upgraded IT systems for round-the-clock support, which a vet-owned practice otherwise might not be able to procure as quickly or at all.³ Since 2019, NVA has invested over \$100 million in its technology infrastructure, including in its Practice Information Management Software, Human Resource Information System software, and similar critical operational systems needed to drive world-class veterinary hospital services.

NVA's model is highly decentralized. Virtually all operational, managerial decisions at its hospitals are made at the local-practice level by the hospital manager and medical staff—*not*

² One of the articles cited in your letter recognizes this dynamic. See <https://fortune.com/2024/05/13/private-equity-pets-veterinary-clinics-mergers-pandemic-inflation/> (“‘A lot of the vets are selling because it allows them to get back to the practice of medicine, which is where their heart is,’ Cathy Bedrick, a partner and financial due diligence service network leader at KPMG, told Fortune.”).

³ Historically, “the vast majority of clinics were owned and run by vets. This led to a sector that was highly fragmented and dominated by ‘mom-and-pop’ practices that typically used antiquated software and lacked marketing expertise, while their physical offices were often dreary and out-of-date. Veterinary technicians, who work side by side with the doctors, also struggled under the arrangement. ‘We had amazing nurses that were leaving because they were not getting living wages,’ one vet, who declined to speak on the record, told Fortune.” Available at <https://finance.yahoo.com/news/private-equity-acquisition-vet-practices-114907224.html>.

The Honorable Elizabeth Warren
The Honorable Richard Blumenthal
United States Senate
August 28, 2024
Page 6

NVA headquarters. Importantly, NVA is committed to the principle of medical autonomy: local veterinarians should—and do at NVA hospitals—make local treatment decisions in consultation with pet owners.

With respect to the practice of retaining the local brand of an acquired veterinary practice—a practice that existed long before JAB owned NVA—that is not a stealth tactic to avoid identification of NVA. It is intended to (a) emphasize the continuity of local vet-driven care and retain the local brand reputation of a vet practice that has been built over its years in the local community, (b) respect the heritage, culture, and legacy of the practice that was built by the veterinarian, and (c) reflect our partnership approach. Indeed, when NVA acquires a veterinary practice, its goal—and the result—is not disruptive changes to the practice, but to help the practice succeed and grow through resource support and innovation. Again, this has been the practice of NVA since its inception, prior to the JAB investment.

Ownership and Leadership of Veterinary Practices

We understand that a primary motivation for your letter is concern around competition in the pet care space. Strong competition is essential to a marketplace that provides pets and consumers with innovative and excellent service that is accessible. We support strong competition and welcome the opportunity to provide key data below on the highly competitive landscape in which we operate.

First, as noted above, the veterinary services industry remains highly fragmented.

Approximately 70% of U.S. vet hospitals are owned by independent or local operators or small regional chains.⁴ The industry consists of some larger national or multi-regional operators of veterinary practices, but it primarily consists of numerous independent, local, and small regional chains. Again, NVA estimates that it operates fewer than 4% of all veterinary hospitals nationally.

Second, the veterinary-services industry remains highly dynamic and competitive. Beyond the sheer number of veterinarians and veterinary practices that exist today, there is constant entry and expansion. That is partly because it is not difficult for a veterinarian to open an office. For a general practice, a licensed veterinarian needs a leased location and some equipment. But this is also true for even specialized vet practices. For example, Veterinary Emergency Group (“VEG”), a competitor to Ethos, started with a single 24/7 veterinary emergency clinic in 2014. Today, VEG is in 25 states and the District of Columbia with approximately 90 emergency clinics across the country—and growing.

Third, NVA was founded by a veterinarian and veterinarians remain core to its leadership and direction. Today, NVA’s leadership teams include 34 full-time veterinarians, including two

⁴ Source: NVA internal estimates, March 2024.

The Honorable Elizabeth Warren
The Honorable Richard Blumenthal
United States Senate
August 28, 2024
Page 7

Chief Veterinary Officers and two Medical Advisory Boards, who are dedicated to shaping the investments, programming and advancements the company makes. The veterinarians on our leadership teams reflect the voice of the profession, our hospital teams, and the best interests of our patients.

Veterinary Industry Pricing and Compensation

We understand and appreciate your focus on the price of veterinary services and ensuring these services remain affordable for consumers. We recognize that, like products and services across the United States for the past few years, inflation has impacted the veterinary industry. We share your interest in solutions that help us continue to provide high-quality veterinary services at affordable prices.

While prices for some of our services have increased in recent years due to inflationary pressures and other factors discussed below, since JAB's acquisition of NVA, there has been no increase in NVA's profit margins. This is primarily the result of an increase in compensation and benefits for its veterinary professionals and staff, as well as significantly higher costs from suppliers.

As you know, inflation has raised prices significantly across the United States with annual inflation reaching its peak at 9.1% in June 2022 and averaging 5.4% annual inflation since 2022. According to the U.S. Bureau of Labor and Statistics, the Employment Cost Index for private workers has increased 21.3% over the last five years for total compensation. Veterinary services have not been immune from these inflationary pressures.

While we cannot speak for other veterinary practices or the industry as a whole, in our experience, prices for veterinary services have increased for a few key reasons, including the following:

- *The cost of goods.* The cost of the materials we need to operate (e.g., veterinary supplies, equipment, and prescriptions, which are inputs in our business) has increased substantially and continues to increase. For example, list prices from NVA's major suppliers have increased by approximately 19% since 2021.
- *Investment in our people.* As a long-term owner focused on sustainable growth, strong living wages are critical to the business model. Since 2019, we have been able to substantially increase wages, compensation, and benefits for our veterinarians and staff and we intend to continue to make these investments. With more pets in America, the country needs more veterinarians and there is currently a major shortage of these skilled professionals. As a result of this shortage, as well as the highly competitive labor market to recruit and retain veterinarians, we have invested substantially in higher wages, compensation, and benefits for our employees. With respect to NVA's investment in its people, we note the following:

- Our strategy has been to offer veterinary professionals and staff at or above market compensation and benefits in addition to professional mentorship and the quality of life enhancements described below. In 2022, the most recent period for which comparable data is available, on average a general practice veterinarian at NVA earned approximately \$150,000 annually (excluding benefits) which is more than the national average of approximately \$147,000 for veterinarians.⁵ Including benefits, as well as distributions to veterinarians who are joint venture partners with NVA, the average compensation at NVA for general practice veterinarians was significantly higher than \$150,000.
- Since 2019, NVA has made an incremental investment of more than \$200 million in the compensation and benefit packages of our veterinarians and their teams, including increases in base pay to address inflationary headwinds and improved 401(k) employer contributions.
- NVA has also significantly improved its employee wellness benefits programs in the last 24 months through improved mental health and wellness support for all team members and will continue to significantly increase employer contributions to medical plans.
- *Advancements in veterinary care*, which allow pets to live longer, happier lives. As discussed in greater detail below, NVA prides itself in being a leader at the forefront of advancing the quality, sophistication, and innovation of the veterinary services it provides to pets. The enhancement of veterinary care offered to pet parents for their pets often tracks the sophistication of services provided to humans. These medical advancements involve higher costs, which is reflected in the price of these services. But the result of these medical advancements is higher-quality care, better outcomes for pets, and higher-quality and longer lives for our pets. We strongly believe that our entrepreneurial model at NVA, in which veterinarians take medical care decisions, and in which many of our locations are partially owned by veterinarians is a major driver of innovation in the industry and a significant contributing factor as to why pets' lives are improving over time.

In the veterinary care industry, prices reflect the factors outlined above and affect the industry, regardless of whether they are a small business or part of a larger network. We understand and appreciate your concern that some of the articles cited in your letter report on substantial price increases following the acquisition of a veterinary practice. In the past several years, price changes at NVA have been driven by the business factors listed above, not JAB's ownership of NVA.

⁵ American Veterinary Medical Association (the "AVMA"), "2024 AVMA Report on the Economic State of the Veterinary Profession," p. 24

NVA pricing is competitive where it operates and is consistent with data around national averages for veterinary care costs. The average prices for typical procedures and medications can vary widely by location since NVA clinics are found in rural, suburban, and urban areas across the country where supply costs, labor costs, and competitive conditions vary widely and affect such pricing. Set forth below is a comparison of the average price for certain common procedures performed at NVA clinics compared to the range of average prices for the same procedures offered by other industry participants as of the first quarter of 2024 (which is the most recent date for which we have such comparative information available):

Sample Price Comparison Q1 2024

<i>Procedure</i>	<i>NVA Average</i>	<i>Range of Averages for Other Industry Participants</i>
Wellness Exam	\$75	\$68 - \$102
Sick Exam	\$95	\$74 - \$117
Spay/Neuter	\$669	\$539 - \$782
Rabies Vaccine	\$39	\$33 - \$55
Heartworm Test	\$71	\$60 - \$105
Bordetella Vaccine	\$38	\$34 - \$49
Pre-Op Bloodwork	\$150	\$135 - \$203

Veterinarian Wellness, Professional Development and Advancement of Veterinary Care

We share your interest and concern about the well-being of veterinarians. We know that many veterinarians face substantial stress and pressure. Even in “normal times” being a veterinarian and treating ill, injured, and dying animals is physically, mentally, and emotionally challenging. The pandemic exacerbated these stressors by increasing pet ownership and the volume of pets seeking treatment, under challenging circumstances and without the industry being able to increase staffing commensurately.

At NVA, our veterinarians, veterinary technicians, and other hospital staff are the backbone of the company. In addition to the compensation and benefits increases detailed above, we have offered flexible and reduced-hour schedules to support our employees’ well-being, while balancing the need to maintain adequate staffing to meet the needs of pet owners and their pets.

As veterinarians continue to be in high demand, we will continue to see severe shortages of qualified professionals in some areas while the demand for veterinary services continues to grow.

The veterinarian unemployment rate has consistently remained low for the past few years and was at just 0.5% in 2022 and 2023.⁶

NVA does not “tie” veterinarians’ income to how much revenue they generate. The only exception to this general compensation structure is that some veterinarians have a portion of their income based on productivity. This is intended to fairly compensate the most sought-after veterinarians who wish to maximize their practice, while recognizing that other veterinarians, depending on the stage of their life and career, may wish to have a different work-life balance. NVA also provides leading veterinarians with an opportunity to obtain an ownership interest in their veterinary practice, reflecting the shared investment and commitment to the success of their practice location. When NVA does better, our veterinarians share in that success.

Improving Veterinary Training and Services

Under JAB’s ownership, NVA has been a leader in creating opportunities for professional growth and development in the veterinary care industry. A few examples include:

- NVA has expanded its mentorship program and doubled its full-time trainers to support all its newly graduated veterinarians to accelerate the start of their career. According to the 2022 AVMA Graduating Senior Study, mentorship is the primary reason that new Doctors of Veterinary Medicine select jobs. NVA’s program was the first of its kind in the industry and aims to bridge the clinical and non-clinical gaps that veterinarians experience as they transition from veterinary school to full-time practice. NVA’s 2023-2024 program has 250+ mentees and has experienced 98% employee retention.
- Our extensive mentoring, internship, and residency programs provide hands-on experience and expert guidance from seasoned professionals. For example, Ethos currently operates over 50 rotating internship programs, educating over 140 veterinary interns. Additionally, our 29 residency programs support the advanced education and training over 80 residents. Through these comprehensive programs, Ethos ensures that emerging veterinary professionals are well-prepared to deliver the highest standards of care and contribute meaningfully to the field.

We are extremely proud of our initiatives in these areas and believe that the professional satisfaction of our people and the continuous innovation in veterinary medical practice are critical components of our long-term success.

⁶ AVMA 2024 Economic State of the Veterinary Profession, p. 21.

Pet Insurance Business

With respect to our pet insurance business, JAB formed the business in 2021 that is now operated under the Independence Pet Holdings umbrella. JAB entered this business with the goal of making pet insurance available to more consumers—currently, less than 4% of pet owners in the U.S. have pet insurance⁷—and to expand access and affordability of advanced veterinary treatments. Our vision for pet insurance is to provide consumers with the widest selection of innovative, high-quality pet health and wellness products and services at competitive prices in the pet industry in order to increase access to care for all pet parents and their pets.

In line with that vision, IPH has sought to create a pet insurance business in the U.S. that offers consumers a broad array of choices, at different price points with different plan features, all of which help enable IPH plans to best serve pet parents' needs. As part of this effort and consistent with this long-term strategy, IPH has grown by adding pet insurance brands as owned-brand or licensed-brand plan offerings, as well as through third-party partnerships as a brand-agnostic managing general agent (*e.g.*, supporting white-label brands of other companies) and as an insurance underwriter. In other words, IPH pet-insurance companies also enable other brand owners to offer pet insurance by administering their claims and/or underwriting their business. These transactions and partnerships support IPH's strategy to offer multi-brand differentiated insurance products, through different channels, at different price points, to meet consumers' needs.

Despite the low percentage of insured pets, the U.S. pet insurance industry is fast-growing and extremely dynamic. According to the North American Pet Health Insurance Association ("NAPHIA"), the number of insured pets increased by 28% in 2021, 22.1% in 2022, and 17.1% in 2023.⁸

The pet insurance industry is also fragmented and highly competitive. We estimate that, in addition to IPH, there are approximately two dozen companies providing pet insurance plans in the U.S. This includes large companies like Nationwide and Trupanion, as well as more recent entrants like Lemonade and MetLife. Part of the reason the industry is so dynamic is because it is relatively easy to enter, with multiple ways for new competitors to start offering insurance plans. By our estimate, at least 14 companies have started offering pet insurance in the US since 2017, 10 of which have entered since 2020. Examples of new entrants include the following:

⁷ <https://naphia.org/news/soi-report-2024/>.

⁸ <https://naphia.org/industry-data/section-2-total-pets-insured/>.

1. Animalia (2023)
2. Kanguro (2023)
3. Physicians Mutual Pet (2022)
4. Chewy (2022)
5. Spokk (2022)
6. ManyPets (2021)
7. Wishbone (2021)
8. Lemonade (2020)
9. MetLife (2020)
10. Odie (2020)
11. Rainwalk (~2019)
12. Prudent Pet (2018)
13. Liberty Mutual (2017)
14. Wagmo (2017)⁹

Another reason that the industry is so competitive is that consumers who are unhappy with the cost or benefits of their pet insurance plan can quickly and easily cancel their existing plan (plans are generally month-to-month, terminable at will, and refunds for pre-paid premiums may be offered); shop and get a quote for another plan online or on their mobile device; and sign up for a new pet insurance plan within minutes. In short, switching pet insurance plans is quick and easy, meaning that pet insurance providers must be highly competitive to retain customers.

Finally, as is the case with the names of NVA's vet hospitals, preserving the independent names of IPH's pet insurance brands preserves brand affinity that each business worked to build, and it allows us to continue serving a range of different customers. Each brand offers differentiated insurance plans, different administrative capabilities, and speaks with differentiated brand and marketing voices to consumers. Additionally, the brands have different management teams, and even different marketing teams, which is meant to encourage the independence and innovation of the various pet insurance product offerings.

Vertical Integration

We appreciate the opportunity to address whether JAB's ownership of veterinary hospitals and a pet insurance business reflects "vertical integration that may empower JAB to preference its own insurance brands at its clinics" as well as your question about whether JAB's "pet insurance companies' payment policy treat care from JAB-owned veterinary facilities differently than non-JAB-owned veterinary facilities in any way, including by reimbursement non-JAB-owned veterinary facilities at lower rates or not at all[.]" In short, there is no preference given to any NVA veterinary hospitals by any JAB-owned insurance brand. Similarly, there is no

⁹ Sourced from company websites or other public information.

consideration given by NVA veterinary hospitals to a patient's pet insurance carrier or even whether or not the patient carries pet insurance.

NVA veterinary clinics do not preference IPH insurance brands or vice versa. Such a practice would be practically impossible for two key reasons: pet insurance rates and plan designs are highly regulated by state departments of insurance and the process for insurance reimbursements make it highly impractical to do.

At the outset, it may be helpful to clarify the way in which pet insurance pays for care. In nearly all cases, the pet owner pays the costs of veterinary services at the time the pet receives care. Typically, the customer pays in cash or with a credit card, but a particular veterinary clinic may accept other forms of payment.¹⁰ Later, the pet owner submits a claim to the pet insurance company for reimbursement, and the pet insurance company *reimburses the insured customer*. That is, pet insurance companies reimburse the insured pet owner, *not* the veterinary clinic.¹¹ Unlike in human health care, pet owners do not present and are not asked for an insurance card at the time of payment. NVA clinics do not ask pet owners which insurance they have nor does NVA actively track which plans pet owners use.

As such, JAB-owned NVA clinics do not preference IPH insurance brands because the NVA clinic does not know whether the pet owner has pet insurance at all, let alone the specific plan.

Likewise, JAB's pet insurance companies do not favor NVA clinics or disfavor non-JAB clinics. Such tactics are bad for business and impractical for several reasons:

- *First*, varying reimbursement in this way would be contrary to IPH plans' business model of allowing insured members to take their pet to *any vet and veterinary clinic they choose*—*not* to dictate or try to influence their choice. In fact, if IPH tried to disfavor vet hospitals that compete with NVA, IPH would be an outlier in the industry, and it would likely lose customers to one of the many other pet insurance plans who (like IPH plans) do not favor or disfavor particular vet clinics. As noted above, terminating and switching pet insurance coverage is quite easy and quick, so there would be real commercial risk in trying to engage in this practice.

¹⁰ We should add that JAB veterinary practices do not sell any insurance products—and indeed, by law, it is unlawful for an unlicensed entity to sell pet insurance. Similar to other veterinary clinics, however, some NVA facilities may have marketing materials available for pet owners, which may include marketing literature for pet insurance plans (not limited to IPH-owned plans) and veterinary credit cards like CareCredit, which is a financial product owned and sold by a third-party, not JAB or any JAB-owned entity.

¹¹ One of IPH's competitor's, Trupanion, does offer the capability for direct reimbursement from Trupanion to the veterinary clinic, but this is not something that IPH offers today and is not generally how reimbursement works in pet insurance broadly—in contrast to human health insurance.

The Honorable Elizabeth Warren
The Honorable Richard Blumenthal
United States Senate
August 28, 2024
Page 14

- *Second*, unlike in human health care, pet insurance companies do not contract with veterinarians and veterinary clinics to create provider networks, as is the case in human healthcare. Therefore, there is generally no such thing as an “in-network” or “out-of-network” vet or vet clinic in which the level of an insured member’s reimbursement or out-of-pocket expense changes depending on which vet or vet clinic the pet goes to.
- *Third*, pet insurance rates and plan designs are highly regulated by state departments of insurance.¹² Changes to rates (premiums) and plan designs must be filed for approval with state departments of insurance and they must be based on actuarial factors—*not* based on competitive considerations or disfavoring veterinary-clinic competitors.

In sum, we see no practical risk of harm to consumers arising out of our ownership of veterinary hospitals and a pet insurance business given these dynamics, not to mention the highly competitive nature in which those businesses operate.

* * * *

Again, thank you for the opportunity to respond to your inquiry. We are proud of the investments we have made in the pet care industry and stand by our work to improve innovation and work with our veterinary partners to provide excellent and accessible pet care in communities across the country.

We hope these answers provide insight into the industry and our practices.

Sincerely,



Joachim Creus
Chief Executive Officer



David Bell
Senior Partner

¹² See, e.g., NAIC, *A Regulator’s Guide to Pet Insurance*, p. 15, at <https://content.naic.org/sites/default/files/publication-pin-op-pet-insurance.pdf>.