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Pet Insurance-Strategic Thinking for Specialists
Darin Nelson Senior Vice President
VSPA Meeting Austin, Texas September 2013

A Vision for Specialty Practice

Take a moment to imagine if all of your clients had a pet insurance that really works...

How different would your day be?

How much time would you save?


How many more lives could you save?

How much could your business grow?

What would it be like to discuss care versus the “cost” of your care?




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Making the case for Pet Insurance?

- In 2012 the vast majority of mature Veterinary practices are +/- 10% of actual revenues in 2007 despite annual 7% fee increases in COGS and 3% increases on Services fees.
- The typical family practice revenue mix is 65% services revenue and 35% COGS revenue
- When you factor annual inflation more than 80% of practices have declining revenues





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Making the case for Pet Insurance?

- Transactions have been on a steady decline for more than a decade 2 to -6% per annum
- This compares to compounded 6% growth adjusted for inflation of these practice from 1997 to 2007 (Primarily driven by ACT)
- ACT were rising > 10% per year from 1997-2007. During the last 6 years <3%
- Practices today operate at 61% capacity utilization
- Quality PI Fixes to 2 Biggest Problems!






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Making the case for Pet Insurance?

- The cost of care and the treatment plans have changed dramatically with the significant growth in critical care and specialty medicine
- Client demographics are shifting and so are their spending patterns (veterinary care is shrinking as a % of the growth in pet spending universe)
- Increasing numbers of Specialists will cause further dilution of a limited number of clients that can afford the type of care you offer. Insured clients only need to be concerned about the best specialist-not \$\$

WHY PET INSURANCE

Average amount clients will spend before opting to stop treatment: _____



Without
pet insurance

\$1,800

With
pet insurance

\$5,900

Source: DVM Newsmagazine, March 2012



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WHY PET INSURANCE

- 1 of 2 pets will become critically ill or injured in their lifetime ¹
- 1 in 4 dogs will be diagnosed with cancer ²
- Major advances in veterinary technologies

¹ Source: Survey: "Trupanion's Use of Addressable Minds," April 2010, conducted for Trupanion pet insurance company by Onufrey Group LLC

² Source: Morris Animal Foundation

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WHY PET INSURANCE

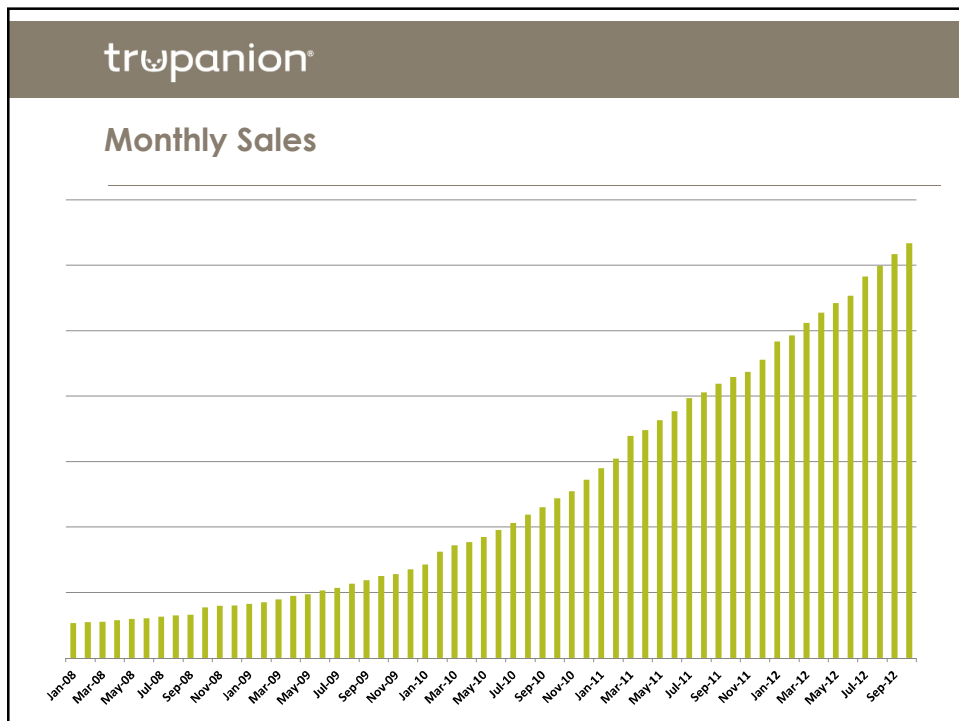
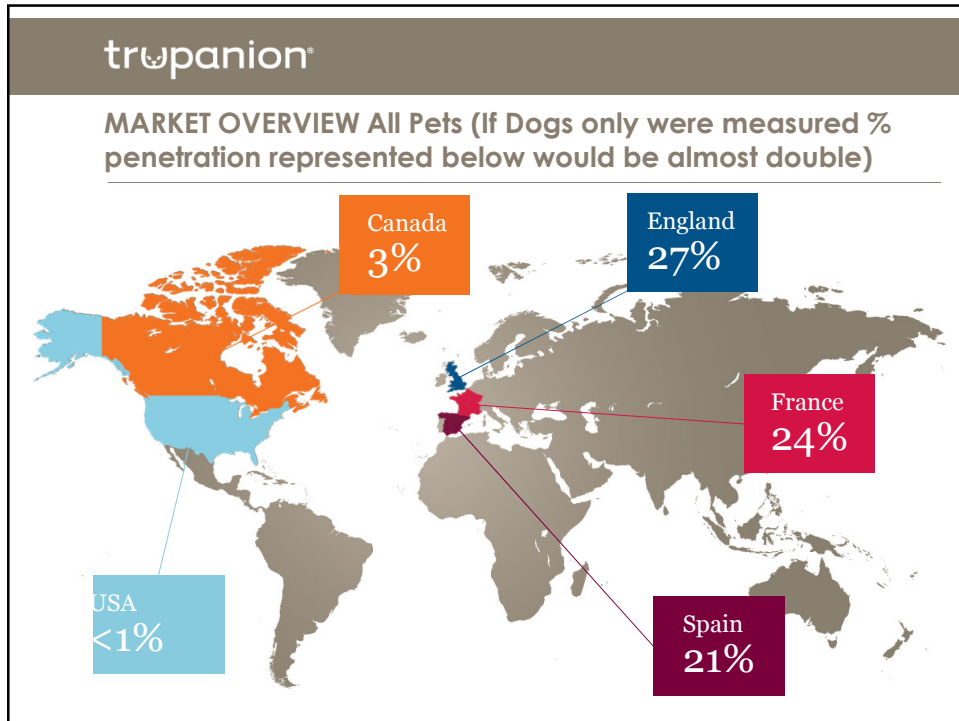
For your clients...

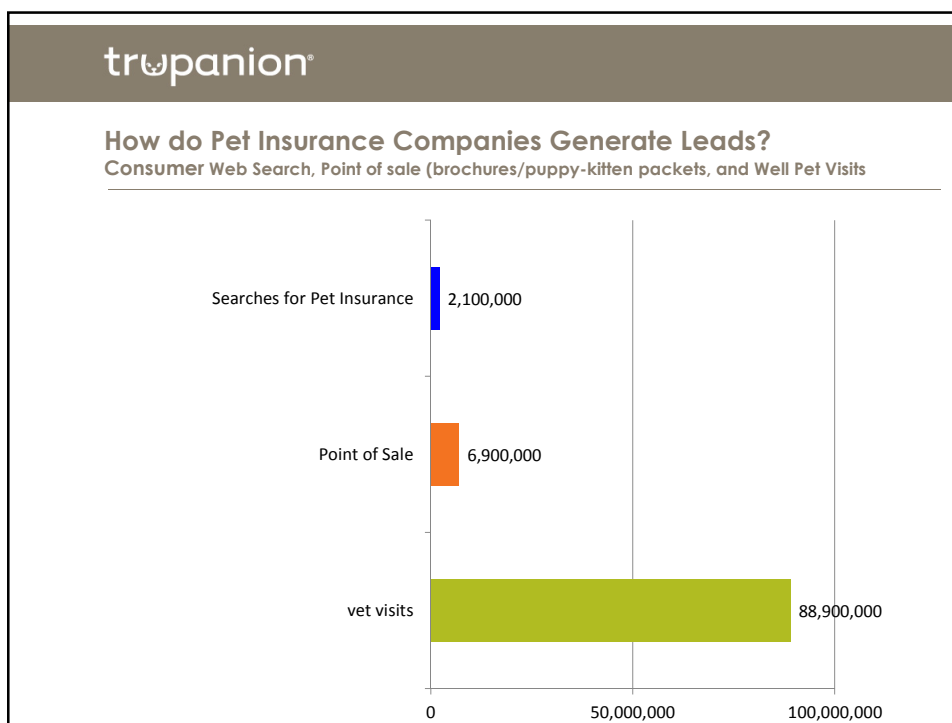
- **Peace of mind** by eliminating:
 - Financial burden
 - "Economic Euthanasia"
- **Provides access** to the best medicine available

For your practice...

- **Freedom**
 - To practice at the highest level
 - To be the most effective advocate for the pet
- **Revenue Growth**

¹ Source: National Commission on Veterinary Economic Issues (NCVEI)





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The Pet Insurance Market

- The U.S. pet insurance market has been limited by:
 - Complicated plans modeled after human HMO policies : confusing to pet owners and vets with fixed reimbursements and defined limits
 - This alienated veterinarians, resulting in low uptake
 - As a result, there have numerous U.S. companies are either no longer selling pet insurance or have gone out of business
 - Currently 14 companies in North America
9 of which have < 20M Annual Revenues

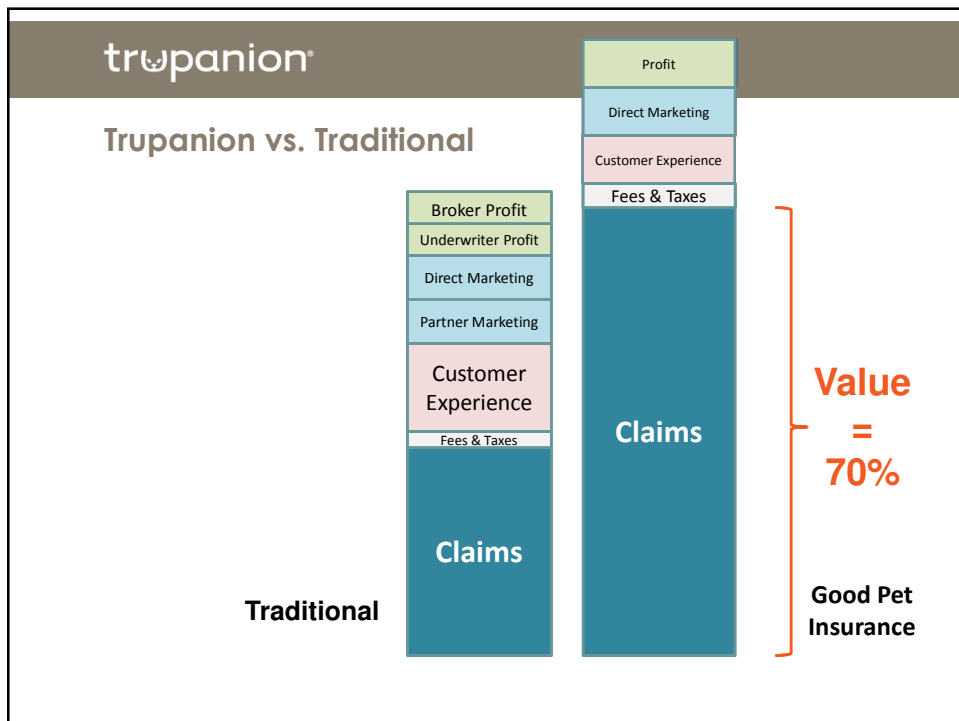
1. VPI 2.Trupanion 3. ASPCA 4. Pet Plan USA 5. Pet Assure

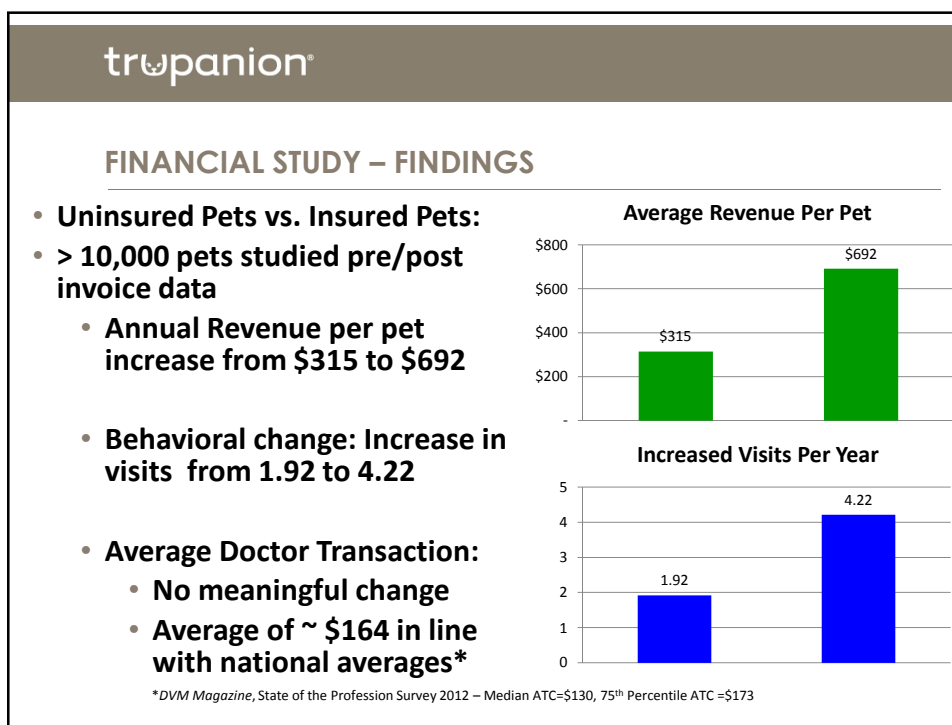
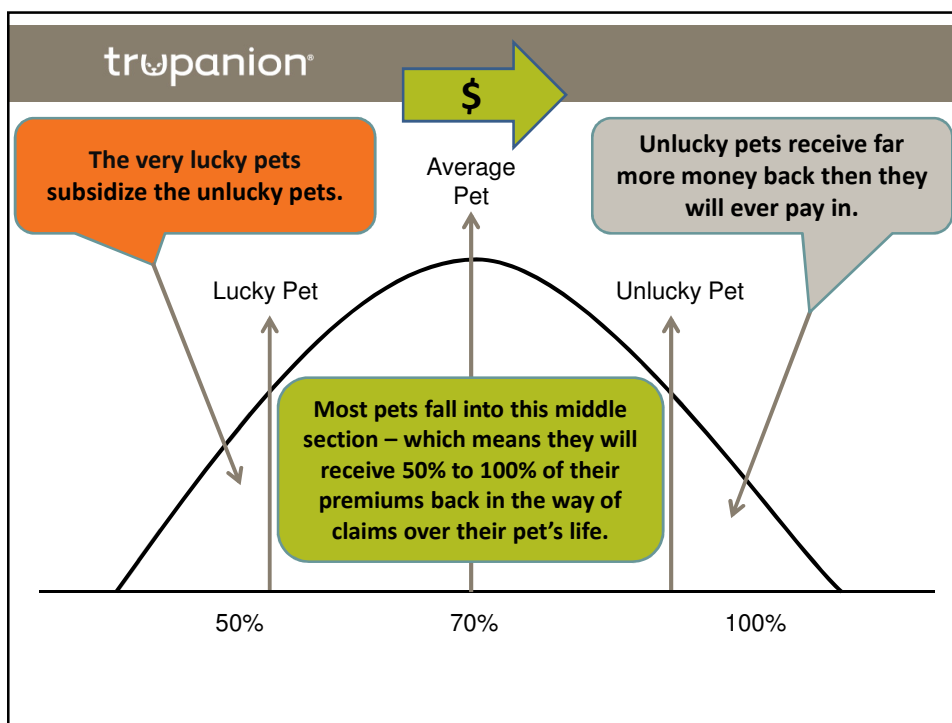
\$29.95 !!

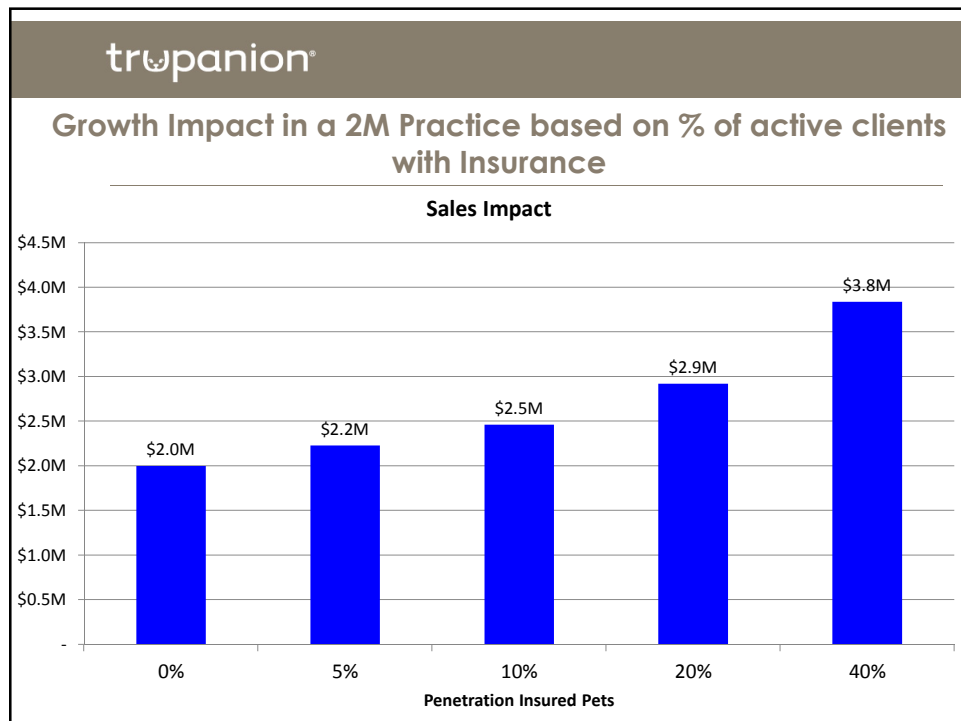
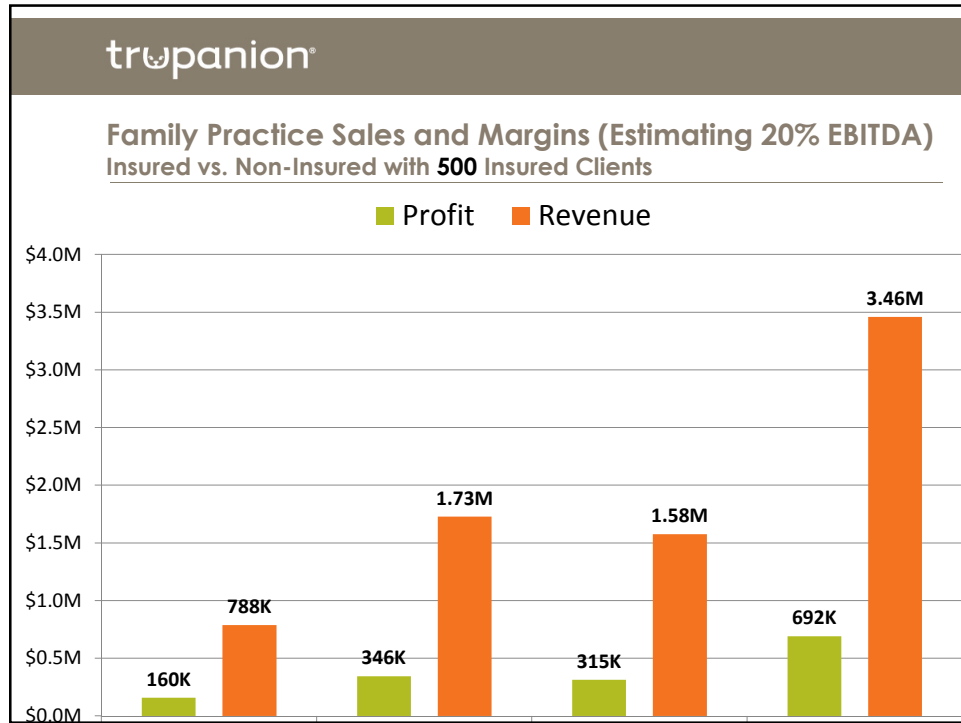
My name is Marvin.
I am an Insurance guy!

How much will people spend for Pet Insurance?

Traditional Approach



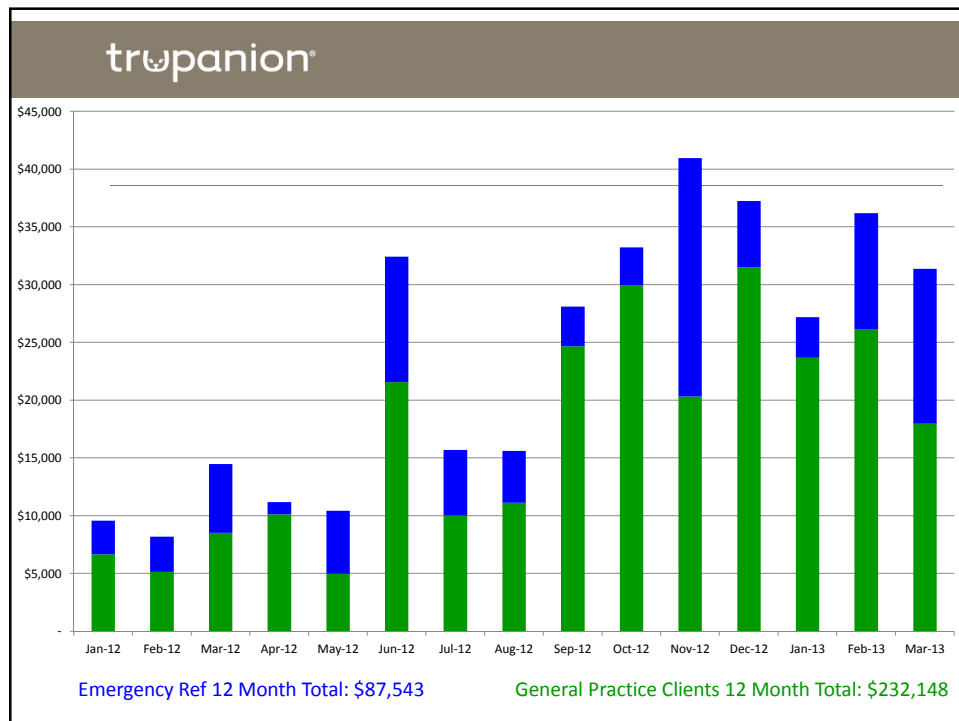


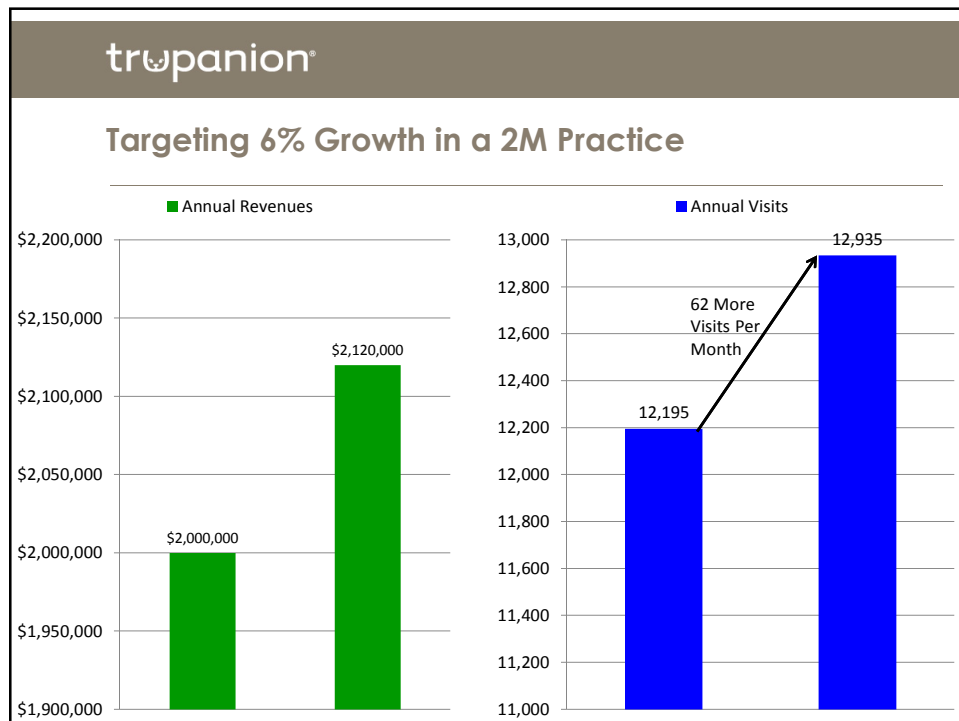
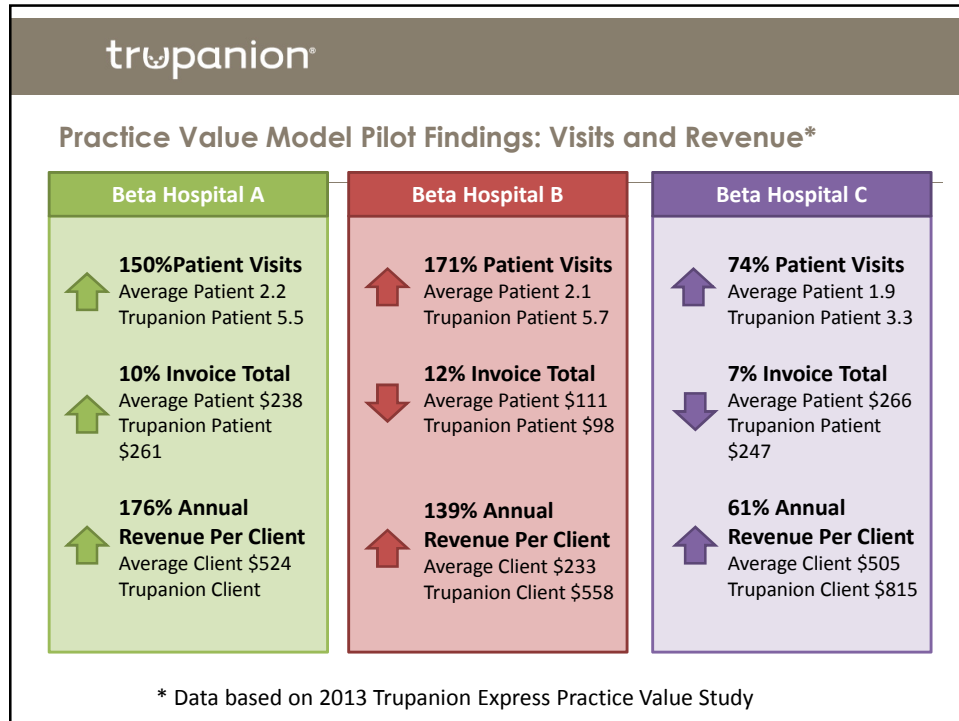


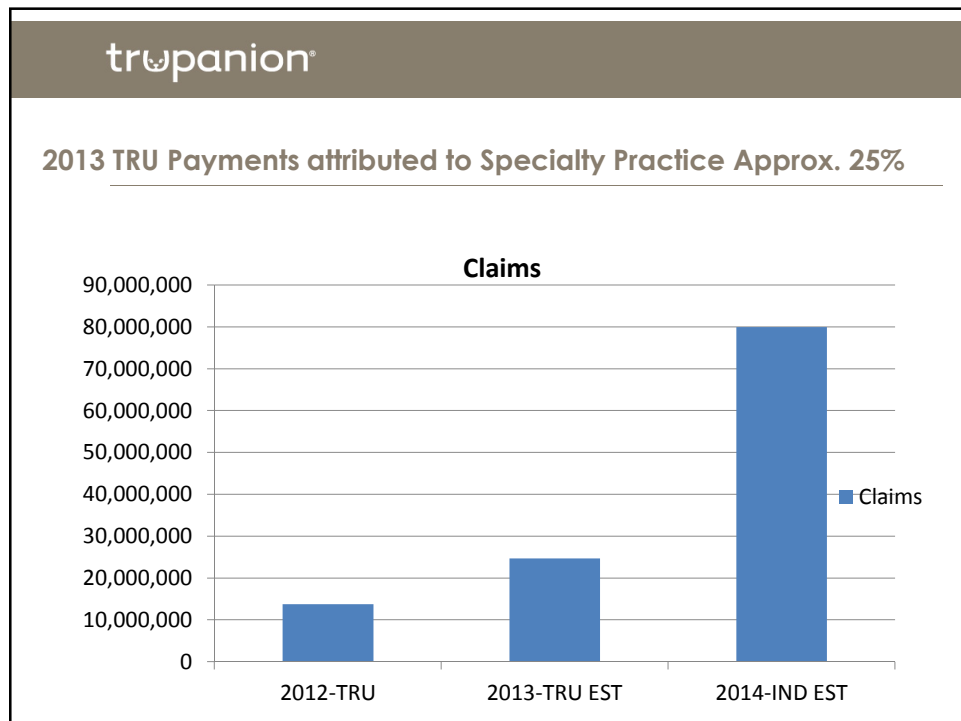
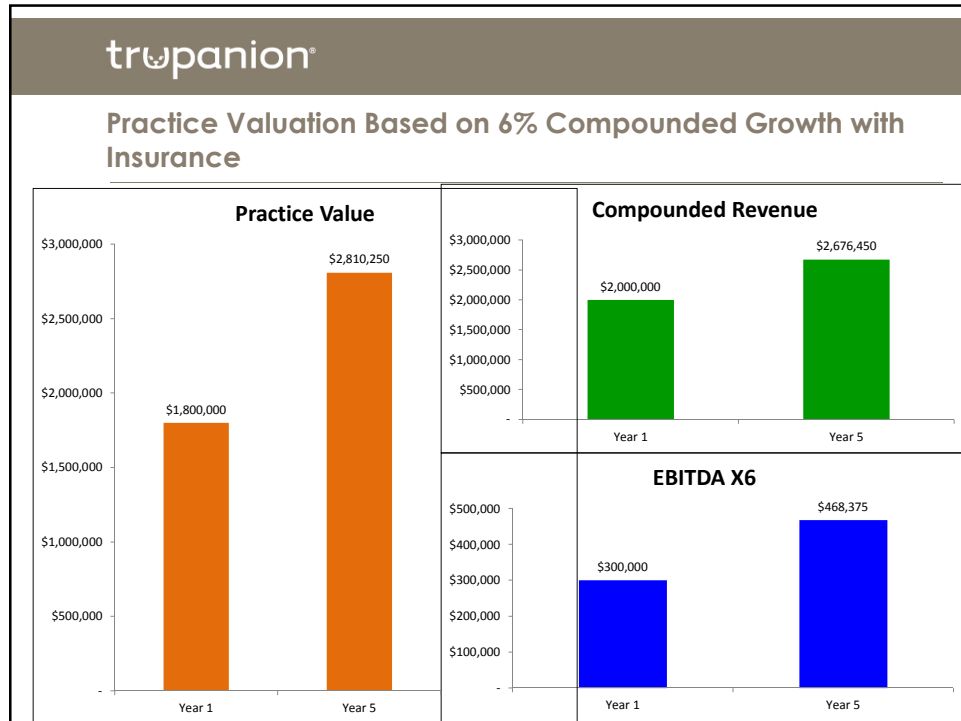
Comparing Active Insured Clients to Active Clients No Pet Insurance in a Hybrid Practice (GP/ER/SPEC)

Patient Group	Sample Size	Annual Visits	ACT	Annual Revenue	Lift
No Insurance	8,645	1.63	\$281	\$458.03	0%
Insured	563	3.41	\$297	\$1012.77	121%

Data pulled by Trupanion from a No Cal practice database, from 1/2012- 8/2013.









Pet Insurance for your Staff

Reduce Employee Discounting

- Ability to charge for your services and recover 90%
- Eliminates IRS concerns over discounting
- Reduces Accounts Receivable by 80% in most specialty practices

Strengthen your Message

- Promotes hospital advocacy
- Builds policy/claims familiarity
- Personal experience = powerful recommendation

Enrolled staff pets = more enrolled client pets



How can VSPA Members accelerate Insurance Growth

- Pet Insurance as an employee benefit-The word gets out getting more family practices interested in doing the same driving enrollments
- Actively measure Pet Insurance claims/companies in your practices as a % of revenues
- Make Pet Insurance a Designed Strategy in the way you communicate to both RDVM's and Pet owners
- CE Meetings (Highlight Insured Cases and Emphasize)
- Newsletter's (Highlight Insured Cases)
- Web, Social Media and Traditional Media Stories
- Brainstorm with your Marketing and PR Agencies

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How can VSPA Members accelerate Insurance Growth

- Specialists should actively communicate to family practices the need for more engagement by them with Pet Insurance
- Specialists could consider some comments on RDVM referral reports "If this client had quality pet insurance more than 80% of % \$5,000 in cost could have been covered
- The more pets that come to your practices insured the more money the pet owners will have for follow up care and diagnostics at the family practice
- RDVM's perception changes because pet owners don't get financially exhausted when they go to the ER/Specialty Center

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