The Nationwide® | Purdue Veterinary Price Index:

Medical care drives continued recovery

Analysis of more than 15 million medical and well-care pet health insurance claims through 2015 shows veterinary pricing recovering from a seven-year low.

Executive Summary

Veterinary pricing is recovering from a multi-year decline, with continued increases reported across the range of pricing data analyzed as part of the mid-year 2016 refresh of the Nationwide® | Purdue Veterinary Price Index. For the second straight time, the semi-annual index confirms a change in direction from the long slide in pricing shown in previous releases of the industry benchmark.

The Nationwide | Purdue analysis reveals a 3.7% price increase in veterinary pricing during 2015. By comparison, the U.S. Consumer Price Index (CPI) reports a 1.2% increase for all consumer spending on goods and services over the same period, and a 3.8% increase in pricing of veterinary services for the same time span. (See Figure 1)

The recent increase in the price index is being driven by medical treatments, as opposed to well-care services. Although still below the 2009 starting point, prices for medical treatments increased significantly in 2015. As seen in previous releases, well-care pricing roughly tracks the government estimates for all consumer prices, with seasonal variations believed to be linked to “flea and tick season” in many parts of the country. Analysis of 2015 claims by region and population density shows strong recovery in the Midwest and in urban areas. The Midwest posted a 10.1% increase while still holding its place with the South region as the two regions with the lowest veterinary prices in the nation. Veterinary pricing in urban areas, already highest in the nation, rose 6.4% in 2015.

Over the entire 2009 to 2015 period covered by the Nationwide | Purdue analysis, however, veterinary pricing still lags pricing increases for other consumer goods and services. Only in the last few months of 2015 has veterinary pricing risen above that found at the beginning of the study period, in 2009. The Nationwide | Purdue analysis of actual claims continues to show pricing well below government estimates for veterinary services.
The Nationwide® | Purdue Veterinary Price Index is the result of a collaboration between Nationwide® and economists at the Krannert School of Management at Purdue University. Based on more than 15 million pet health insurance claims filed with Nationwide (formerly Veterinary Pet Insurance or VPI) since 2009, the Nationwide® | Purdue Veterinary Price Index reflects an accurate look at veterinary pricing by focusing on actual transactions.

With more than 550,000 insured pets, Nationwide® is the first and largest pet health insurance provider in the United States. The Nationwide® | Purdue Veterinary Price Index is refreshed and released twice a year.

**Background**

The pet-care industry has been recognized as a considerable force in the U.S. economy, estimated to be worth $60.28 billion by the American Pet Products Association (APPA) in 2015, with a projected value of $62.75 billion in 2016. The APPA values the veterinary sector at $15.42 billion (2015), behind spending on pet food, and on supplies and over-the-counter medications. As the popularity of companion animals and the amount spent on them continues to climb, both anecdotal reports from pet-owners and statistical releases from the U.S. government has held that the cost of veterinary care is climbing faster than all consumer prices.

In late 2014, Nationwide began a collaboration with the Krannert School of Management at Purdue University to examine companion animal pricing data within the veterinary industry, based on actual claims data for medical and well care treatments.

The relationship was developed to provide third-party access to data proprietary to Nationwide, under the business unit formerly known as Veterinary Pet Insurance (VPI). Nationwide has its own expert research team for both the financial and medical analysis of its peerless database of pet health insurance claims. However, the industry-academic collaboration was formed to provide a more independent analysis of veterinary pricing.

The inaugural Nationwide® | Purdue Veterinary Price Index was presented at the North American Veterinary Community conference in January of 2015, with a refresh of the data and a subsequent analysis presented at the American Veterinary Medicine Association convention in July of the same year. This pattern of presentation continues, with semi-annual refreshes of the data and analysis planned for upcoming NAVC conferences and AVMA conventions. Concurrently, the reports are publicly released along with an overview of the original methodology on the website NationwideDVM.com. Further releases are provided on NationwideDVM social media platforms. Additionally, presentations have been and continue to be made to veterinary organizations. Panel discussions and presentations have also been provided at other major conferences, such as the Western Veterinary Conference and the CVCs.

The Nationwide® | Purdue Veterinary Price Index has made news since its inception. First, by countering the federal government’s narrative on veterinary price increases, and then by tracking a trend shift reclaiming some of the pricing ground lost from 2009-2014. Articles covering the semi-annual reports have appeared in JAVMA news, DVM360/Veterinary Economics and other prominent and well-respected industry journals, websites and publications. These reports helped establish the Nationwide | Purdue index as a key industry benchmark, and significant interest in its release developed quickly in the veterinary community. Discussions have continued with the AVMA’s economics team to share raw data for further studies of benefit to the veterinary community, pet-owners and the pets cared for by both.
Nationwide data shows continued veterinary pricing recovery

The launch of the semi-annual Nationwide® | Purdue Veterinary Price Index could not have been more fortuitous as regards timing. As the Nationwide | Purdue collaboration enters its second full year, it has captured the long-anticipated shift in veterinary pricing. After hitting bottom in December of 2014, veterinary pricing has seen steady increases since based on the Nationwide | Purdue analysis. Strong increases in the overall index in 2015 (3.7%) were driven by the recovery of pricing for medical care (4.4%) more than by wellness care (1.3%). (See Figure 2)

Differences across regions and across areas reflecting different population densities continue to reflect the pricing pressures in play. Both of the more modest regions for veterinary pricing – the South and the Midwest – experienced price increases in 2015. The Midwest, in fact, showed a double-digit increase. The nation’s costliest region, the Northeast, remained flat, while the next most expensive region, the West, saw the same modest increase as the South, 4% in 2015. The Northeast continues to lead the nation in the pricing of veterinary care, with the Western region not far behind. The South and Midwest are likewise closely paired in pricing, at the other side of a pricing gap below the other two regions. (See Figure 3)

The gap between pricing in urban, suburban and rural settings remained in place from the previous releases of the Veterinary Price Index, with rural pricing again the lowest. In breaking with previous analysis, the most expensive areas for veterinary pricing, the urban ones, also showed the strongest increase in 2015 (6.4%). (See Figure 4)
Methodology

The Nationwide database breaks down claims filed by policyholders into specific treatments. The expense of each treatment is separately recorded in the claims database. The Nationwide® | Purdue Veterinary Price Index analysis started with this claims database for services purchased by Nationwide (previously known as Veterinary Pet Insurance) members from 2009 to 2015. The bulk of the database is comprised of canine claims, so the focus of analysis is on veterinary services for dogs. Approximately 85% of insured pets across the pet health insurance industry are dogs.

The resulting dataset contains 1,320 distinct treatments for canines. The dataset classifies 1,194 of these treatments as “medical” treatments; the remaining 126 are classified as “well-care” treatments.

To construct a price index, it is important to have a large number of price observations of specific treatments spread over the entire time period being considered. The analysis was thus limited to canine treatments that are commonly observed in the claims data. In particular, only treatments that have at least 5,000 claims over the six-year period from 2009 through 2015 and at least 500 claims each year during this period were considered. This reduces the number of canine medical treatments to 166, and reduces the number of well-care treatments to 43. The resulting dataset of “common” treatments for canines, however, still represents 84% of the total claim value recorded across all treatment codes. The table below identifies some of the most common medical and well-care treatments. (See Figure 5)

![Figure 5](NationwideDVM.com)

To remain consistent on a year-over-year comparison basis, the 2013 base year for the basket of treatments used to calculate these indices was again used. Movement in the price indices reflect only price changes as the proportion of claims of each type are held constant at the level observed in 2013. In April 2014, VPI had a change in its claim process which impacted the way physical exam costs were represented in the dataset. In order to preserve consistency of the data before and after April 2014, the affected physical exams after April 2014 and those that would have been affected prior to April 2014 were excluded from the analysis. More than 80% of the physical exams were retained in the analysis.

The resulting Nationwide® | Purdue Veterinary Price Index reflects important differences from the index of veterinary prices released by the U.S. government in these critical ways:

- **U.S. Consumer Price Index** (Veterinary Services)
  - Minor focus
  - Hundreds of interviews
  - Aggregated
  - Annual

- **Nationwide® | Purdue Veterinary Price Index**
  - Single focus
  - Millions of transactions
  - Granular
  - Twice a year

Why the discrepancy? The Nationwide® | Purdue Veterinary Price Index is based on millions of transactions, building a true picture of veterinary services and pricing from a granular perspective. The U.S. government’s aggregated approach is based on hundreds of interviews, its final numbers a single brushstroke in the larger picture of consumer prices. By contrast, the Nationwide® | Purdue Veterinary Price Index was solely intended to use the depth and breadth of the company’s historic database to develop a picture that accurately depicts veterinary service pricing. The index reflects not only transactions but also the larger trend toward preventive and wellness care.

A more detailed accounting of the original methodology can be downloaded from the resources section of NationwideDVM.com.
Summation

This latest refresh of the Nationwide® | Purdue Veterinary Price Index continues to show the increase first reported in the previous analysis. After years of falling veterinary prices reflected in pet health insurance claims, Nationwide’s data for all of 2015 confirms increases across all kinds of claims, all regions and all types of population densities. Over the 2009 through 2015 period covered by the Nationwide | Purdue analysis, however, veterinary pricing still significantly lags pricing increases for other consumer goods and services. Despite the sharp increase in 2015 (3.7%), the Nationwide | Purdue analysis shows veterinary pricing remains below U.S. Consumer Price Index estimates of the rising cost of veterinary services. In this analysis, the recovery in veterinary pricing is shown to be uneven, with strong gains in urban settings, and double-digit gains in the Midwest. Urban markets remain the most expensive, while pricing for veterinary services in the Midwest are the second-lowest, with only the Southern region modestly lower.

The next refresh of the Nationwide® | Purdue Veterinary Price Index will be released in the first part of 2017 at the North American Veterinary Community conference. That study will reflect claims data from the first six months of 2016. The mid-year refresh, to be released at the American Veterinary Medical Association annual conference, will contain data from all of 2016.

Nationwide considers such uses of its data to be of service not only to the small animal veterinary community but also to the broader community in the pet-care services industry, as well to individual pet owners and Nationwide members. The ongoing commitment to the Nationwide® | Purdue Veterinary Price Index represents a considerable investment in service to those overlapping communities.

In providing data to show trends in veterinary pricing, Nationwide continues to deliver on its promise to the veterinary community to provide information that will help pet owners and veterinarians work together as a team for the better health of companion animals that are so important to the continued well-being of people of all ages.

All releases of the Nationwide® | Purdue Veterinary Price Index are available on Nationwide Chief Veterinary Officer Dr. Carol McConnell’s blog for the veterinary community, NationwideDVM.com. Future releases will be posted there as soon as the information is made public.

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