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**Pet Medical Insurance:
A Critical Strategy for the Future of Veterinary Medicine**

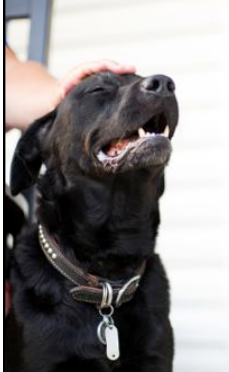
Kerri E. Marshall, DVM
Chief Veterinary Officer, Trupanion



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Today's Journey

1. Why is Pet Medical Insurance Important? History of the Bond
2. Models of Pet Medical Insurance and Impact on Veterinary Medicine's Future
3. Pet Medical Insurance 101
4. Pet Medical Insurance and Practice Success
5. Implementing Pet Medical Insurance in your practice



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History of the Bond



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19,000-32,000 years ago

- Mitochondrial DNA Northern European Extinct wolf real ancestor of the dog...
- Ice Age hunters= man, woman, and dog survive, wolf does not



Source: The Seattle Times, Where Did dogs first appear? DNA Points to Europe. November 13,2013, Malcolm Ritter, AP Science Writer New York

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Cave Woman 8,000 Yrs Ago?



"One can envision a camp in the boreal forest with people and dogs living side by side, and dogs being used in many everyday tasks, with dogs being as important to the group as they are to many people today."

Stella Panzarino and her dog, Chico,
Source: BROOKLYN MEDIA GROUP/Photo by SB News

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New Research: Dogs Can Love



- "... many of the same things that activate the human caudate, which are associated with positive emotions, also activate the dog caudate...."
- The ability to experience positive emotions, like love and attachment, would mean that dogs have a **level of sentience comparable to that of a human child.** And this ability suggests a rethinking of how we treat dogs."
- Source: Gregory Berns "How Dogs Love Us", a Neuroscientist and His Dog Decode the Canine Brain, Scribner Publications, 2014

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Dogs relationship with us...

- Dogs show an affiliation toward humans that is unlike any other in the animal kingdom. They prefer humans to their own species and can behave like human infants toward their parent.
- Love: "a feeling of warm, personal attachment, or deep affection."
This is what dogs have for us...
- Dogs are "geniuses" at reading our emotions
Source: Hare, Brian and Woods, Vanessa: The Genius of Dogs, how dogs are smarter than you think, Plume, 2013, p269

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The Human-Animal-Veterinary Bond

We celebrate the bond with our clients, and we love our own pets very dearly and expect others to feel the same way

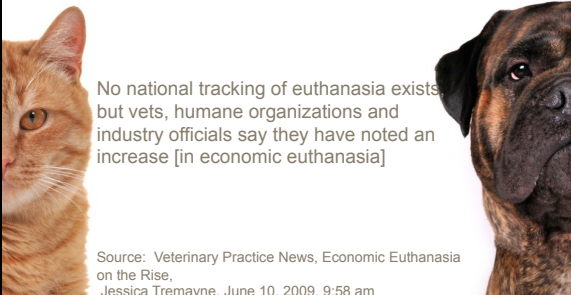


So why don't we help them afford the best care before a crisis?

Dr. Marshall and Rudy Einstein

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Let's have a frank discussion...why do we do it?




No national tracking of euthanasia exists but vets, humane organizations and industry officials say they have noted an increase [in economic euthanasia]

Source: Veterinary Practice News, Economic Euthanasia on the Rise, Jessica Tremayne, June 10, 2009, 9:58 am

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- Humane agencies and shelters have taken the brunt of the economic euthanasia burden. The Humane Society of the United States estimates that 3 million to 4 million animals are euthanized annually in the U.S. Those numbers are expected to rise in 2009.
- "In time of economic need, the euthanasia count always increases in practices and shelters," says Richard Bachman, DVM, a shelter veterinarian for HSUS who serves on the leadership council of the Humane Society Veterinary Medical Assn.



Source: Veterinary Practice News, Economic Euthanasia on the Rise, Jessica Tremayne, June 10, 2009, 9:58 am

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Impact on Veterinarians and Staff



Gregg Takashima, DVM and Hunter

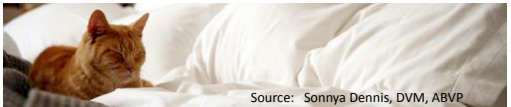
- "People's top reasons for leaving their pets at a shelter are having to move and being unable to care for the animal. The abandoned animal rate is increasing, especially in house foreclosures.
- **It's a tough time for veterinarians and their staff, mentally and emotionally, to deal with medically unnecessary euthanasia.**"

Source: Veterinary Practice News, Economic Euthanasia on the Rise, Jessica Tremayne, June 10, 2009, 9:58 am

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Ethical Exhaustion

1. A conflict between what I believe is "right" vs. what I "must" do
2. Doing what you don't feel is right
3. Your feelings of helplessness being minimized by others



Source: Sonnya Dennis, DVM, ABVP

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AAHA 2013-14 President's Message about Pet Insurance



"Often our clients have to deal with the sometimes –life-wrenching conundrum of loving their pets but not being able to afford serious emergencies or illnesses.

This puts the medical team in the precarious and ethical dilemma of not being able to provide services that restore the pet back to health. The solution to this is to prepare clients for such situations ahead of time by discussing the topic of insurance as part of the medical conversation"


Knutson, Kate: View from the President, AAHA Trends, January 2014

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Why Pet Medical Insurance: Gracie Video



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Models of Pet Insurance




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The Opportunity

NOW:
Many countries have pet insurance

For example:

- Sweden – 40%
- United Kingdom – 25%
- Norway – 14%
- Netherlands – 8%
- France – 5%
- Denmark – 5%
- Australia – 5%
- Canada & US – <1%




Source: StoneRidge Advisors, View from the Ridge, August 2013 and Munich RE, Annual Pet Health Insurance Industry Summit, May 2013.


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"Traditional" Insurance Model

- Determine a Market Price
- ↓
- Quote Price to Consumer
- ↓
- Limit Coverage
- ↓
- Cap Payouts
- ↓
- ✗ Drive Profitability




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- ✓ Cover 90% of All Claims
- ↑
- Quote Price to Consumer
- ↑
- Add Reasonable Margin
- ↑
- Accurately Price Risk
- ↑ ↑
- Breed Location
- ↑ ↑
- Leverage Vast Data Library

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Insurance Penetration in Scandinavia and UK



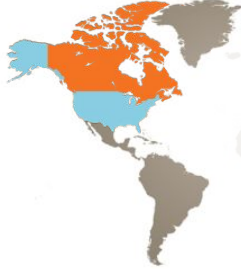
	Sweden	Norway	UK
Dogs	78%	25%	20%
Cats	24%	1%	4%
Horses	74%	40%	30-40%

First Dog insured in Sweden 1924

Source: Agria pet insurance hereford.com

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Why <2% In North America?



- Multiple plans with multiple options = confusion
- Policies have too many exclusions/restrictions
- Reimbursements are too little and too slow
- Minimal direction offered to pet owners by veterinarians and staff –Just putting brochures in the lobby and take a neutral position is not working!

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Staying Afloat
Pet health insurance helping more pet owners afford optimal care



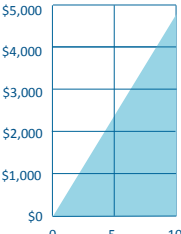
A 2013 consumer survey by Packaged Facts found that the top reasons that pet owners who were aware of pet health insurance had never gotten a policy were **a general sense that such policies were not necessary, the sense they were not spending enough on pet health care to make getting a policy a concern**, not wanting to spend the money for a policy, and the confidence that they could cover pet health care expenses without a policy..

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Source: JAVMA News Posted May 28, 2014, Katie Burns

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WHY PET INSURANCE


If you save \$40 per month for 10 years, your emergency fund would be? **How would your client pay for these treatments?**



Foreign Body Removal – Trupanion's #1 paid claim!	\$7,550
Acute liver failure	\$5,750
Bilateral growth plate fracture	\$4,700
Hit by car	\$9,550
Total hip replacement	\$9,100
Cancer (sarcoma)	\$5,350
Chronic ear infection	\$4,250
Diabetes	\$8,550

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Why Don't Pet Owners Understand the Value?



- Many people have not yet **experienced the high level of care now available** in veterinary medicine
- If veterinarians don't talk about advanced care because we think the clients can't afford it, clients won't **understand the value of pet medical insurance**
- Veterinarians have traditionally subsidized or **downgraded care** to fit what the pet owners will accept, so that's what clients think is available for their pet and that it is at a low cost
- The **client experience** with pet insurance hasn't always been good because with the reimbursement model they still have to come up with the invoice amount out of pocket

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The Elephant in the Room




You will determine the future of veterinary medicine. Will we become a "trade" rather than a "profession"?

Now, as pet medical insurance is gaining traction in the US, is the time to understand and be able to affect the future.

When most of the pets you see are insured, will you still have control over your medicine and ability to do what's best for the pet?

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Pet Medical Insurance 101

Trupanion® – information in this presentation is confidential and not intended for external distribution.

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PET MEDICAL INSURANCE 101

- **PAYMENT METHOD**
 - Pet Owner Reimbursement
 - Vet Direct Pay (Vet delayed payment or Vet paid at time of invoicing)
- **CLAIMS PAYOUT METHOD**
 - Benefits Schedules and/or "Usual and Customary"
 - Percentage of Veterinarian's Charges
- **LOSS RATIO**
 - Percent of Claims paid out in relation to Premiums Paid
 - 80:20 rule in human healthcare
 - Most pet insurance companies are 50-60%
 - Trupanion is 70% with goal to reach 80%


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PET INSURANCE 101

- **Property/Casualty vs Health Insurance**
 - Pet Insurance falls under "Inland Marine and Other"
 - Monoline Pet Medical Insurance vs separate underwriter
- **Underwriting Companies**
 - Must be licensed in each state individually
 - Department of Insurance
 - Actuarial data needed
- **Difficult to Innovate on a "health insurance model" if you depend on an Underwriter with many lines of property/casualty**

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WHY PET INSURANCE



Average amount clients will spend before opting to stop treatment:

Without pet insurance	With pet insurance
\$1,407	\$5,600

Source: DVM Newsmagazine, March 2009

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EXAMPLE: TRUPANION'S PLAN

Our Top 3 Features Include:

- One Simple Plan
- 90% Coverage
- No Payout Limits



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WHY PET INSURANCE

<p>For your clients...</p> <ul style="list-style-type: none"> • Peace of mind by eliminating: <ul style="list-style-type: none"> • Financial burden • "Economic Euthanasia" • Provides access to the best medicine available a • Allows them to be the pet owner they really want to be 	<p>For your practice...</p> <ul style="list-style-type: none"> • Allows you to provide the best care possible by taking money out of the equation <ul style="list-style-type: none"> • Increases Client Visits • Increases Revenue Per Pet • Vet Direct pay can also increase profit
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¹ Source: National Commission on Veterinary Economic Issues (NCVEI)

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AVMA pet health insurance guidelines (JAVMA)

- ✓ Requires a veterinarian-client-patient relationship.
- ✓ Allows pet owners to choose their own veterinarian, including specialists and emergency and critical care facilities the pet may need.
- ✓ Never interferes with the veterinarian's fee structures.
- ✓ Uses a licensed veterinarian to assist in claims adjudication.
- ✓ Is clear about policy limits, pricing structure, and optional coverage that might be available to the policy holder.
- ✓ Is transparent about how the terms and conditions of the plan will impact coverage and costs, including the financial obligations of the policy holder such as co-pays, deductibles, and exclusions.
- ✓ Communicates about the fee re-imbursement process clearly (how reimbursement is determined and **how quickly reimbursements are provided to the policy holder**).

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AAHA 2013-14 President's Message about Pet Insurance

"Things to consider when deciding which company you want to recommend:

- Is the plan easy to understand?
- Can your hospital staff understand the policies?
- Or, are caps, limits and exclusions so complicated that it is uncertain what exactly is covered?
- Are likely events covered?
- Do they act as an advocate for your hospital and patients and the way medicine is practiced by your team?"

Knutson, Kate: View from the President, AAHA Trends, January 2014 p 11

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Pet Medical Insurance and Practice Success

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Imagine...If all your client's insured their pets

- How different would your day be?
- How much less time on estimates? 10-15 min per client?
- How much more time delivering care and educating clients?
- What Impact would this have on your level of "Ethical Exhaustion"?
- Client focus would shift from communication about why they need to do a procedure to what you are going to do and how it will help



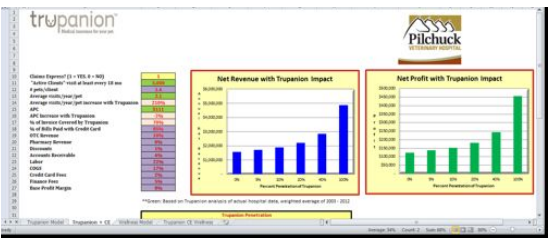
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Practice Value Model™: Trupanion Impact

Hospital A	Hospital B	Hospital C
<p>↑ 150% Patient Visits Average Patient 2.2 Trupanion Patient 5.5</p>	<p>↑ 171% Patient Visits Average Patient 2.1 Trupanion Patient 5.7</p>	<p>↑ 74% Patient Visits Average Patient 1.9 Trupanion Patient 3.3</p>
<p>↑ 176% Annual Revenue Per Pet Average Pet \$524 Trupanion Pet \$1,440</p>	<p>↑ 139% Annual Revenue Per Pet Average Pet \$233 Trupanion Pet \$558</p>	<p>↑ 61% Annual Revenue Per Average Pet \$505 Trupanion Pet \$815</p>

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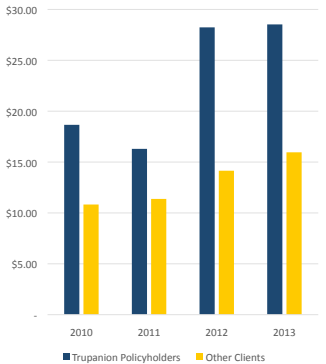
Trupanion Practice Value Model™



Coral Springs Animal Hospital, Coral Springs, FL

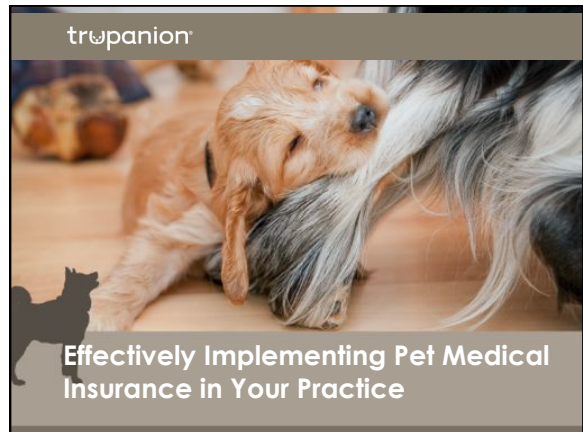
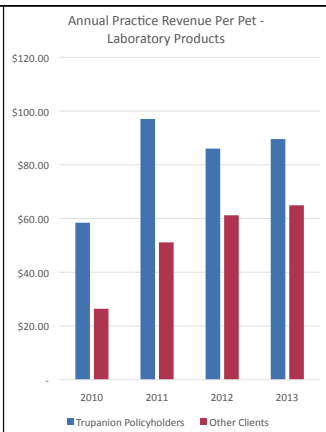
	Average Client	Trupanion Client	Lift
Visits/Yr	1.75	3.24	86%
Average Patient Charge	\$378	\$306	-19%
Annual Revenue Per Pet	\$660	\$993	51%
Invoices/Yr Pharmacy Products	0.26	0.44	73%
Average Brand Product Charge	\$50	\$56	12%
Annual Brand Pharmacy Revenue Per Pet	\$13	\$25	94%

Annual Practice Revenue Per Pet – One Brand of Products (Preventive Care Products Included)



Coral Springs Veterinary Hospital, FL

	Average Client	Trupanion Client	Lift
Visits/Yr	1.72	3.24	88%
Average Patient Charge	\$380	\$306	-19%
Annual Revenue Per Pet	\$655	\$993	52%
Invoices/Yr Including Lab Products	0.42	0.81	93%
Average Lab Product Charge	\$117	\$107	-8%
Annual Lab Revenue Per Pet	\$49	\$87	77%



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Steps to Effective Implementation

1. Lead from the heart: Ensure your team understands the real impact on pets' lives
2. Focus on Client Communication
3. Understand What You are Recommending and Why

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1. Lead from the Heart

- **Stories help!** If you have one, relay a story (use only the pet's name) of someone who was really happy they had pet medical insurance
- **Celebrate the bond** your clients and team have with their pets. Help them protect it!
- Discuss with your team how often you have to settle for "plan B" or worse, the impact of **Economic Euthanasia**

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2. Focus on Client Communication

Alexis and Tino and Dr. Marshall

- Instead of "Do you have pet insurance for Benny", try "**Which medical insurance do you have for Benny?**" (assumes that the client is a responsible pet owner)
- If the answer is, "I hadn't thought about pet insurance", your care coordinator can **set the stage for the team to discuss**
- Like anything you are recommending, **the doctor must also strongly endorse it** or the client is unlikely to enroll

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How do I communicate the value to my Clients?

- "Pet Medical Insurance is really a necessity now that veterinary medicine has advanced and so much more care is available for Bella and there is a great option for us to recommend. Our clients have the best experience with Trupanion—they pay us directly at the end of your visit so you don't have to wait and wonder what will be covered!"
- Discuss conditions that your clients' breed or type of dog or cat may be predisposed to and why it is important to have pet medical insurance, especially one that covers congenital and heritable conditions—those conditions your pet is most likely to get.

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AAHA Past President's Message about Pet Insurance

"Have the conversation early and often. Your clients will thank you, and your patients will be healthier.

As the primary healthcare professional, it is our obligation to give our clients medical opinions and recommendations, whether it is in regards to dentistry, antibiotic therapy, nutrition or contingency plans for affording needed health care.

If we abdicate those responsibilities, others will come in and speak for us."

Knutson, Kate: View from the President, AAHA Trends, January 2014 p 11

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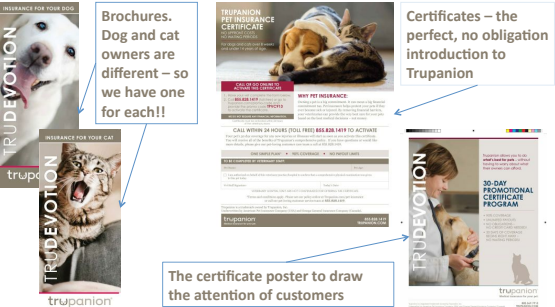
Easy Client Tool: 30 day Certificates

- Trupanion Certificates are given out after a veterinary examination allowing us to waive waiting periods and offer immediate coverage for your client's pet with no payment information collected up front
- On average, 25% of clients who activate their certificates go on to enroll, for some hospitals it is over 50%
- Best results are when the client calls Trupanion directly and really understands the value Pet Owner phone number: [888.615.8318](tel:888.615.8318).



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Your Starter Pack and Certificates




Brochures. Dog and cat owners are different – so we have one for each!!

Certificates – the perfect, no obligation introduction to Trupanion

The certificate poster to draw the attention of customers

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3. Understand What You are Recommending and Why



- You and your team needs to be comfortable with pet medical insurance first so they can better help your clients understand the value
- Invite your local Trupanion Territory Partner in to talk about the importance of Pet Medical Insurance and how to effectively implement life saving certificates!
- Contact your Territory partner or get your starter kit now: [855.727.9085](tel:855.727.9085)
- Email: VetEngage@Trupanion.com

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Video on Advanced Animal Care Implementation

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For More Info Call: [855-727-9085](tel:855-727-9085) or email vetengage@trupanion.com

