

WellHaven's Pet Project

A new company seeks to redefine veterinary medicine by making life easier for both pets and vets

by Leslie Helm

PETS ARE BIG BUSINESS in Washington state. Seattle-based pet-sitting and dog-walking company Rover has raised a staggering \$311 million in 10 funding rounds. Seattle pet insurance company Trupanion went public five years ago and recently closed a \$69 million public offering of common stock.

Another new player now wants to take a bite of that action. WellHaven Pet Health LLC, established in 2017 in Vancouver, Washington, has been on an acquisition binge of veterinary practices during the past year-and-a-half in hopes of building a network of animal hospitals across the West to tap that mother lode.

The company already has acquired several dozen animal hospitals in Colorado, Oregon, Washington, Minnesota and Montana. It operated a total of 40 hospitals in January, though it plans to eventually expand to 150. The privately held company, which employs more than 500, doesn't disclose revenue.

Of the \$69.5 billion pet owners in the United States spent on their animals in 2017, more than \$17 billion went to veterinary services, which are the fastest-growing segment of the market. Animal hospitals are particularly important because they have so much control over where billions of additional dollars are spent when it comes to things such as medicine, medical supplies and pet services.

WellHaven CEO John Bork says his mission is to improve life for veterinarians by offering better benefits and more regular hours. He wants to take over unpleasant administrative tasks such as payroll and use the company's greater purchasing power

and industry analytics to both lower costs and expand revenue.

As it expands, Bork wants to differentiate WellHaven from one of its major competitors: the far larger Banfield Pet Hospital, where he and 11 other members of his executive team spent a huge portion of their careers.

Bork and his chief medical officer, Bob Lester, each worked 17 years at Banfield, an organization also based in Vancouver, Washington, that operates 1,040 animal hospitals and is regarded by many in the veterinary community as among the more rigid and bureaucratic organizations. Candymaker Mars Inc., based in McLean, Virginia, spent \$9 billion in early 2017 to acquire Banfield. Mars also owns VCA, with its 800 animal hospitals; and PetSmart, which has 1,600 retail stores that sell pets and pet food as well as services such as dog grooming, training and animal boarding.

WellHaven, with the help of its marketing company, Blue Collar Agency, has sought to define itself as an anti-corporate hospital chain. Its logo, a colorful, animated illustration of a friendly looking woman veterinarian carrying a cat, uses the tagline, "Your Care Companion," which is "a triumphant rebellion against the rest of the industry," according to its website.

"We are completely different from Banfield," Lester says. "Our job is to support doctors, not MBAs in the corporate office telling people what to do."

TRIUMPHANT REBELLION.

WellHaven is seeking to brand itself as the anti-corporate pet-hospital chain.





To reinforce that notion, WellHaven requires that everyone on its corporate staff spend time working in its clinic on the first floor of the company's downtown Vancouver headquarters. "Even the payroll person needs to get experience drawing blood. They need to know what it's like working in a setting where there are animals," Lester says.

Bork says WellHaven's smaller size gives it an advantage against larger, slower-moving corporations. Unlike Banfield, Bork says, WellHaven can move more quickly to roll out new programs and technologies. "At our size, we are better able to react," Bork says. "We don't have to be cookie-cutter."

Some veterinarians wonder whether WellHaven is merely a Trojan horse to make it easier for large corporations to snap up small private practices who might not want to sell to a large corporation such as Banfield. When Capricorn Healthcare, an equity company based in Palo Alto, California, announced its investment in WellHaven in July 2017 without disclosing the exact amount, the company described the firm not as some rebellious new business, but as "a rollup of companion-animal general veterinary practices across the Western U.S."

The characterization made it appear as if WellHaven was just the latest in a slew of "consolidators" seeking to resell their networks to the latest corporate giant, hoping to follow in the footsteps of Mars by offering a broad range of products and services aimed at animals.

A June article in *Veterinary Idealist* counted 24 consolidators in the country, mostly backed by private equity investors, which are aggressively buying private veterinary practices. As those private equity investors look to cash in, typically within a five-year time frame, many are expected to sell to pet food and other companies interested in pushing into the veterinary business. While roughly 11 percent of the roughly 31,000 or so veterinary practices nationwide are now operated by large corporations, that number will more than double to 25 percent within five years, according to Brakke Consulting, a Dallas-based animal-health consulting firm.

But Bork says Capricorn's founder, philanthropist Jeff Skoll, invested in WellHaven because he believed in its mission. The Skoll Foundation, which makes bets on social entrepreneurs, also has invested in WellHaven, says Bork, who insists WellHaven won't be among those selling out to a larger corporation.



UPWARD BOUND.

WellHaven CEO John Bork, left, and Chief Medical Officer Bob Lester are looking to build a network of 150 animal hospitals.

"While the typical private equity firm won't invest in a broader infrastructure to support the hospital because such investments won't get a quick return, we are in it for the long haul," Bork says. "We'll be here for 100 years."

In order to avoid the bureaucracy that plagues larger companies, WellHaven tries to stay nimble. In each region where it operates, WellHaven establishes a "pod" of as many as 12 hospitals led by an experienced veterinarian who offers management advice

to the hospitals. If a hospital has less dental business than is typical in the industry, for example, the consultant might propose that it invest in more training, personnel and equipment to build up that segment. WellHaven would then put up the capital for those investments.

Bork says WellHaven's ultimate success depends on keeping its veterinarians happy. "People tell children not to be vets because the lifestyle is so hard," Bork says. He wants to change that by encouraging doctors to have a better balance between their work and personal life. "We say 'happy vets, happy pets.'"

"In the typical private practice," Bork says, "if you need to hire a vet, then you

eat ramen noodles for six months until you get a return on your investment. Many of the hospitals we acquired felt they were so short-staffed that seeing an additional pet would be a burden.”

Bork says in the first “21 hospitals it acquired, WellHaven put up the money to add 24 new doctors.”

Technology and innovation are important parts of how WellHaven hopes to boost revenue while also keeping veterinarians happy. In the Vancouver headquarters office upstairs where 26 employees now work, every conference room has whiteboard walls to encourage creative thinking.

MEANWHILE, WellHaven uses the hospital on the first floor to test new technology such as e-Vet, a cloud-based system that allows all transactions and scheduling to be done with any device. The system makes it easier for clinics to communicate with clients via text, the better to attract millennials, the largest growing population of pet owners. But the technology also makes life easier for veterinarians by, for example, permitting them to see their appointments books from home. “Much of the industry is behind on things like that,” Lester says.

If a client calls the clinic after hours, an artificial intelligence system helps determine whether the client’s concerns are serious enough to warrant being forwarded to a veterinarian at home for immediate attention or whether the client should be encouraged to schedule an appointment during regular hours.

WellHaven also recently launched a veterinary telemedicine partnership with Petriage, a Bellevue-headquartered, cloud-based B2B telemedicine service. WellHaven said it would use the platform in all 40 of its current hospitals.

Some disenchanted veterinarians worry that the pressure on WellHaven to grow fast could lead to errors. One software system WellHaven introduced early on sent immunization reminder messages to clients whose pets had already died. Lester says the company recognized the system wasn’t the right solution and scrapped it. The company is now committed to testing technology more thoroughly before introducing it across the company.

Veterinarians who have sold their practices to WellHaven seem happy with their decisions.

Anne Cooley, who sold her Aspen, Colorado, practice to WellHaven in 2017, says before selling, she was heavily overworked and anxious about how she was going to pay her bills and face a potential economic downturn in the year ahead.

Now, she says, she works less and gets paid more. WellHaven doubled the number of veterinarians in her clinic to five and boosted revenue by 16 percent while her stress level plunged. With the new cloud-based technology, she says she can take a long vacation to Scotland, where her husband comes from, and still check tests on the pets under her care.

Lester says WellHaven is testing telehealth applications that will make it easier for veterinarians to examine clinical data and therefore work virtually from time to time.

To persuade clients to visit its clinics more regularly, WellHaven is promoting the sale of wellness programs under which clients pay a monthly subscription fee that covers immunizations, office calls and other measures to keep animals in good health.

Other veterinarians have seen dramatic growth after being acquired by WellHaven. Mary Philippson, 62, says she was developing a five-year plan to sell her practice when she was approached by WellHaven. She had previously worked for Banfield, and says she was attracted by WellHaven’s insistence that while it would borrow some

of the best elements from Banfield, it would be fundamentally different by focusing on people.

In the year-plus since her practice was acquired, Philippson says, WellHaven has helped add new doctors and the practice has grown by 40 percent, in part by focusing on dentistry.

Not all veterinarians are convinced that WellHaven has all the answers. One Washington state veterinarian whose clinic was sold to WellHaven says she’s happy that, unlike corporate chains, WellHaven is not “dictating” what kind of medicine they must use. But she worries that WellHaven is growing so fast it will run out of money and be forced to take measures that put more pressure on veterinarians or, alternatively, to sell outright to a large corporation.

Bork and Lester insist they are here to stay. As evidence, they point out that WellHaven will have built 14 new hospitals by the end of March, plays most equity-backed companies wouldn’t make because of the many years it takes to get a return on such investments.

“We aren’t there to flip it,” Bork says. “My daughter is here; Lester’s daughter works here. We will be here forever.” Adds Lester, “We have to walk the walk and support our hospitals. If we don’t, the word will get out.” And WellHaven’s ability to attract new practices to its growing hospital empire will be key to its future success. **SB**

U.S. Pet-Industry by the Numbers

Category	2016 Actual	2017 Actual	% Growth 2017 vs. 2016	2018 Estimate	% Growth 2018 vs. 2017
Food	\$28.23 B	\$29.07 B	2.9%	\$29.88 B	2.7%
Supplies/OTC medications	\$14.71 B	\$15.11 B	2.7%	\$15.51 B	2.7%
Veterinary care	\$15.95 B	\$17.07 B	7.0%	\$18.26 B	6.9%
Live animal purchases	\$2.1 B	\$2.1 B	0%	\$2.01 B	-4.2%
Other services	\$5.76 B	\$6.16 B	6.9%	\$6.47 B	5.0%
Total	\$66.75 B	\$69.51 B	4.1%	\$72.13 B	3.7%

SOURCE: AMERICAN PET PRODUCTS ASSOCIATION