

## FUTURE OF PRIVATE PRACTICE

# Insurers divided in battle for market

Significant changes are needed to sustain the private medical insurance market – but the UK's major insurers have vastly different visions for the future. Liz Fox reports



A RECENT debate organised by the Federation of Independent Practitioner Organisations (FIPO) revealed that the private medical insurance (PMI) market is becoming increasingly divided.

In one camp are insurers who favour a system of 'managed care', with greater control of the referral pathway. In the other are insurers keen to distance themselves from direct involvement with clinical issues. And, as the division becomes ever more apparent, it is only too clear whose side most private practitioners are on.

WPA has gained widespread support from consultants for its rejection of any attempt by insurers to control clinical practice. WPA representative Charlie MacEwan says: 'Our version of managed care is to help customers navigate the system, as opposed to telling them where they should be treated. Such a controlled

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approach only breeds an element of distrust, and there is a lot of this between consultants and insurers. We would never knock our competitors, but WPA is doing what it believes is right.'

In 2003, WPA introduced patient co-payments to tackle the problem of rising premiums. Under the scheme, patients pay a 25% share of their claims cost up to an agreed annual maximum. 'This shared responsibility means customers treat us as a partner, not an insurer,' says Mr MacEwan. 'We are thriving on co-payments and they are here to stay.'

AXA PPP has also gone down the co-payment route. But AXA's use of networks has not won it any favours with consultants. Hot on the heels of BUPA's approved ophthalmic units, AXA will begin rolling out its own national network for cataracts in October.

Dr Simon Peck, head of provider

information and audit at AXA PPP, says: 'The national tariff for cataracts in the NHS is about £700, while the average cost in the private sector is £2,600. Our corporate purchasers want value for money, and it's hard to see how you can justify this discrepancy.'

Dr Peck admitted he was 'a little perplexed' that AXA's cataract network had not received as much opposition as BUPA's. But Mr Chris Khoo, chairman of the Hospital Consultants and Specialists Association's independent healthcare committee, warned AXA to brace itself for a backlash. 'They have been trying to bring the ophthalmology network in on the quiet,' he says. 'I don't think they realise there will be a mass rebellion.'

While both AXA PPP and BUPA are taking greater control of the referral pathway in a bid to offer patients better-value, higher-qual-

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ity care, insurers such as Standard Life and Norwich Union are developing their own initiatives.

Rob Brown, Norwich Union's director of customer healthcare, reassures consultants that it has no immediate plans for managed care in any format. However, it is keen to boost customer numbers through efficiency savings. 'We support the concept of direct referral as one way of making PMI more affordable,' Mr Brown says.

'We need to collectively find ways of mitigating against the price increases that have taken place over the last few years.'

#### Guided option

Standard Life is also encouraging more people to take out private cover, and has developed a 'guided option' providing financial incentives.

FIPO president Mr Geoffrey Glazer claims doctors are highly supportive of the approaches pioneered by WPA, Standard Life and Norwich Union. 'Those insurers that recognise and provide what their subscribers want will be the ones who succeed in a changing market,' he says. 'This means con-

ceding that the best outcomes and value for money of all patients comes from personalised care, as recommended by qualified, experienced and professionally audited and regulated consultants.'

Despite these different approaches, industry experts agree major changes are needed if the PMI market is to be sustained. But medical benefits and health risk management provider Medisure says the future of PMI is not only in the hands of insurers.

Chief executive John Picken says: 'More and more organisations are looking at private healthcare and asking what returns they will get for their money in terms of creating a healthier workforce and reducing staff absence. Consultants must do a lot more to market their services to the ultimate purchaser – the HR directors and finance directors of large employers.'

'Away from traditional medical benefits plans, with their treatment rules and limits, it may well be that a higher-cost surgeon with a higher-cost treatment will provide the desired cost-benefit outcome for clients.'

## MAJOR INSURERS' VIEWS AND PLANS

### AXA PPP

- Year-long roll-out of cataract network begins October 2007
- Co-payment and contracts with consultants are options for the future
- Introducing range of low-cost options to make PMI more affordable

### BUPA HEALTH INSURANCE

- Established unique quality-accredited units for treating breast, bowel and gynaecological cancers and more recently for outpatient MRI scans. Approved ophthalmic units currently being introduced
- Supports GP referral to a named consultant
- Further product innovation and development to meet customer needs

### WPA

- Against managed care
- Advocates co-payment as a solution to rising premium costs
- Introduced Mycancerdrugs in April; more 'top-up' insurance planned

### STANDARD LIFE

- Sees 'no rationale' in restricting access to care
- Opposes reduced remuneration to hospitals and consultants
- Developed a 'guided option' with financial incentives to encourage more subscribers and reduce bureaucracy

### NORWICH UNION

- Supports direct referral to hospitals, although patients would be offered a choice
- Offers flexible PMI policies with increased focus on 'wellness'
- Aiming for improved administrative efficiencies to drive down costs