



British  
Association of  
Dermatologists

22 January 2013

**BRITISH ASSOCIATION OF DERMATOLOGISTS RESPONSE TO THE COMPETITION COMMISSION  
PRIVATE HEALTHCARE MARKET INVESTIGATION**

The British Association of Dermatologists (BAD) welcomes the opportunity to submit, on behalf of its members, its viewpoint to the Competition Commission's investigation into private healthcare.

**Background**

The BAD is the professional organisation for Dermatology in the UK and represents over 650 Consultant Dermatologists, the majority of whom carry out some private practice. Dermatologists are the trained, accredited & experienced specialists in the treatment of skin conditions both within the public and private healthcare sectors.

The BAD is a registered charity and does not advise its members on private practice fees or re-imburement and only advises on private practice matters relating to quality and clinical issues.

Dermatologists see the vast majority of their private patients in an outpatient setting and see a wide range of skin, hair and nail conditions affecting all age groups. In addition to consultations, Dermatologists carry out diagnostic procedures such as skin biopsies and allergy patch tests, and therapeutic procedures such as surgical excisions, soft tissue injections, laser treatments and phototherapy. Almost all procedures are carried out in an outpatient setting.

**Scope of problem**

The BAD's aim is 'Healthy Skin for All' and in order to provide this in the private healthcare setting, patients should be referred to high quality, trained, accredited specialists who can provide the right treatment first time. The ability of a patient to see their preferred Consultant (whether advised by their GP or whether recommended by word of mouth) is essential to a good quality outcome and is of fundamental importance to the doctor-patient relationship in the private sector.

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The BAD has numerous examples where this clinical doctor-patient relationship has been adversely affected by the intervention of Health Insurers. The most prominent examples are related to the main insurers (BUPA and AXA PPP). The BUPA 'Open Referral' scheme, for example, is a form of managed care which directs patients to 'approved' (ie cheaper) consultants. The website even states 'Keep your options open' yet patients options are severely limited by this scheme, even to the extent that patients are not permitted to pay extra to see the consultant of their choice, and are told that if they do not see a consultant 'recommended' by BUPA they will not be covered for the consultation at all.

The BAD is aware from patients' comments that the complexity and number of policies offered by Insurers makes it difficult to compare them for value. This lack of transparency prevents competition as patients are unable to establish which Insurer offers the best price for that level of cover.

The BAD notes that insurers have established, over the last 20 years, benefit maxima which Dermatologists have to observe as a condition of becoming recognised by the insurers. The benefit maxima have not increased in 20 years and in 2012 BUPA arbitrarily decreased the maxima. This has led to the consultation fee becoming the main source of income for dermatology private practice and inevitably an increase in these fees over the 20 years. In recent years the insurers, particularly BUPA, have sought to limit the costs of consultation fees by making a lower consultation fee a requirement to be recognised for new Consultants. Furthermore, the BAD is aware of occasions when BUPA has refused to cover consultations by existing Consultants for patients who subsequently have to see a less experienced consultant without the benefit of continuity of care and who may not have the specific skills needed.

### **Theories of Harm**

The BAD does not believe there is a significant risk of No.2 Theory of harm (Market power of consultants) as there is sufficient competition between Dermatologists to keep fees within a relatively narrow range.

The BAD believes that the No. 4 Theory of harm (Buyer Power of Insurers over Consultants) applies to Dermatologists and that the action of the Insurers adversely distorts patient choice and therefore stifles competition.

The BAD believes that the No. 6 Theory of harm (Limited Information Availability) applies to patients with regard to choosing Insurers. The multiplicity of policies and the difficulty in assessing the cost of cover make it difficult for patients to choose a competitively priced Insurer. There is much less information asymmetry in choosing the Consultant. Most patients use the local knowledge and experience of their GP in deciding which Consultant

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to see, or choose a Consultant they (or their family) have previously seen and recommended.

The other theories of harm are not relevant.

### **Suggestions to Improve Competition**

The BAD urges the Competition Commission to protect patient pathways (as recommended by the patient's GP or by virtue of patient choice) by removing the obstacles to choice, such as 'Open Referral', placed by Insurers.

This would require Insurers to make clear the amount of cover available for any condition and to allow patients to attend the hospital/Dermatologist of their (or their GP's) first choice with a co-payment for any shortfall. Patients should be able to choose a Dermatologist on quality/suitability criteria and the primary 'contract' should be between the patient and the Dermatologist.

Insurers should have a transparent level of cover which would allow patients to compare Insurers more easily. There would be more competition, as a consequence, with higher standards and/or lower costs to attract patients to the Insurer.

There is already a precedent for this approach in the non-insured arena of cosmetic dermatology, but there is no reason why the same principles should not apply to non-cosmetic dermatology.

### **Summary**

The BAD believes that patient care and healthy competition is best served by having doctors decide on clinical matters, including patient pathways, and by having transparent medical insurance policies which provide relevant financial cover, but do not dictate clinical issues.

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