



ABI response to the annotated issues statement on the Competition Commission investigation of the private healthcare market

The UK Insurance Industry

- 1.1 The UK insurance industry is the third largest in the world and the largest in Europe. It is a vital part of the UK economy, managing investments amounting to 26% of the UK's total net worth and contributing £10.4 billion in taxes to the Government. Employing over 290,000 people in the UK alone, the insurance industry is also one of this country's major exporters, with 28% of its net premium income coming from overseas business.
- 1.2 Insurance helps individuals and businesses protect themselves against the everyday risks they face, enabling people to own homes, travel overseas, provide for a financially secure future and run businesses. Insurance underpins a healthy and prosperous society, enabling businesses and individuals to thrive, safe in the knowledge that problems can be handled and risks carefully managed. Every day, our members pay out £147 million in benefits to pensioners and long-term savers as well as £60 million in general insurance claims.

The ABI

- 2.1 The ABI is the voice of insurance, representing the general insurance, protection, investment and long-term savings industry. It was formed in 1985 to represent the whole of the industry and today has over 300 members, accounting for some 90% of premiums in the UK.
- 2.2 The ABI's role is to:
 - Be the voice of the UK insurance industry, leading debate and speaking up for insurers.
 - Represent the UK insurance industry to government, regulators and policy makers in the UK, EU and internationally, driving effective public policy and regulation.
 - Advocate high standards of customer service within the industry and provide useful information to the public about insurance.
 - Promote the benefits of insurance to the government, regulators, policy makers and the public.

The ABI's response to the annotated issues statement

- 3.1 The ABI welcomes the comprehensive work undertaken and set out in the annotated issues statement by the Competition Commission and will continue to inform the on-going market investigation. Private insurance cannot absorb unconstrained, unnecessary, or increasing cost without such costs being felt by insured patients through higher premiums. Commissioners of services should be able to influence / drive improvements in quality through informed purchasing and feedback on patient experience. Private healthcare information should be at least comparable to information available on the NHS. The ABI believes that intervention by the Competition Commission will be necessary to ensure healthcare providers implement

change that improves the functioning of the private healthcare market and reduces patient detriment.

- 3.2 Patients have little or no information on the quality of service or how the consultant or anaesthetist sets their fee. This reduces the negotiating power of the patient to challenge the fee and limits the patient's ability to compare one service against another. The anaesthetist fee is usually unknown to the patient before the day of surgery, and at this point the patient is in no realistic position to either negotiate a lower fee or to switch. Member insurers do as much as they can to warn of the possibility of a shortfall, and to remind specialists of their responsibilities, although regrettably the specialists do not always keep the customer fully informed.
- 3.3 There is a risk that over-treatment and over-diagnosis in the private healthcare market can be incentivised at healthcare facilities that prioritise a return on investment and use a fee-for-service model that pays according to inputs with little transparency on the correlation of cost to quality or healthcare outcome. Where there is a lack of constraint on healthcare provision there is a risk of over-treatment or diagnosis. Perverse incentives could be limited if the patient fee was the only payment the consultant received and the healthcare facility/provider did not also fund the consultant for using the facility. Any ownership or shareholding should be declared at all points of patient contact.
- 3.4 Businesses recognise the return on investment of workplace health and private healthcare for their staff. A healthy workforce impacts on productivity and reduces sickness absence costs for the business, the NHS, and the welfare system. Private health insurance paid claims of around £2.6bn in 2011, a cost that would otherwise have been incurred by the NHS. Government stated in the 2013 Budget that there will be tax relief up to a £500 cap on health interventions paid for by employers. Recognition of the value of private healthcare is welcome but the case-by-case basis for the tax relief does not address the wider tax burden on employers. While the evidence states that businesses would choose to keep private health insurance, there is also evidence of a reduction in the level and or scope of cover in part due to the cost of the tax burden. The tax treatment of private health insurance as a benefit in kind is a disincentive to employers to fund private health care that keeps their employees healthy or gets their employees fit for work again, and reduces the burden on the NHS and the welfare system.
- 3.5 The findings from the Competition Commission's investigation should go some way to ensuring that the issues causing the high cost of health insurance for customers are resolved.