

Consultant 114

20 July 2012

Dear Ms Hawes

I would like to express my ongoing concerns in respect of the predatory and anti-competitive behaviour of some of the major insurers and private hospital groups so far as the provision of private medical practice is concerned.

- My first concern is that the two major insurers are now so large that they are able to behave in a monopolistic and predatory manner. BUPA, I understand, represents 50% of insured private patients and AXA PPP about 25%. Both, I understand, are brands of an even larger offshore insurer, Resolution. Resolution, therefore, represents 75% of insured patients and, with such a monopoly/complex monopoly is able to exert undue power and influence on both doctors and patients/consumers. For example, both BUPA and AXA PPP now have “preferred provider” schemes whereby they will re-refer patients to another doctor even when the patient’s own general practitioner has recommended a specific doctor that he trusts and/or knows to have a specific expertise necessary to treat their patient. This pre-emptive re-referral to another provider not only disenfranchises the patient and general practitioner of their choice of doctor but also allows BUPA/PPP to distort the pricing structure of independent practitioners and would seem to represent monopolistic behaviour and restriction of trade.
- BUPA’s recent unilateral reduction in a wide range of surgical tariffs (which have not anyway been increased over the last nineteen years) is a case in point. No meaningful consultation or negotiation was involved since these dominant insurers now feel that they can simply dictate terms. The Medical component cost of healthcare is at its lowest percentage ever-only 22-24%---all the increased costs therefore seem to be a consequence of the monopoly that Private Hospital providers and Insurers now have.
- There is also a suspicion of collusion between major insurers and major private hospital providers. Whereas these insurers have relentlessly driven down the medical reimbursement fees of individual consultants, they seem to have acquiesced to an extraordinary increase in hospital charges such as outpatient theatre charges, outpatient pathology charges, etc., such that these are now several multiples of the price at which these tests could be obtained by consultants from alternative providers, but which consultants are denied access to either by the insurers’ “recognised hospital” programme or by provider hospitals contracts insisting that all consultants use their “in-house” pathology and radiology services. This surely represents a complex monopoly against the patient/public interest and a further restriction of trade.
- This downward spiral seems to date from the time when the Competition Commission decided that the BMA guidelines in respect of suggested fees for various surgical procedures constituted a complex monopoly. This effectively

disenfranchised the BMA and doctors in respect of their rights to union representation and negotiation and the consequence has been increasing predatory behaviour by insurers in picking off consultants one by one, forcing them to accept the very reduced financial terms of "preferred partners". It has also allowed provider hospitals to operate as effective monopolies without any competition. Consultants could, if they were able to source diagnostic services elsewhere or provide them themselves, be able to find much less expensive pathology services. Not being able to negotiate effectively with insurers as a group, e.g. through the BMA, effectively disenfranchises us of our union rights.

- The previous competition commission decision therefore seems to have had many unintended and adverse effects and I would be interested to know how the competition commission feels that doctors can negotiate better terms as a group without being classified as a "complex monopoly". Surely, all other unions operate quite legally as complex monopolies?

I would be grateful if the competition commission would give some consideration to these concerns.