

## Consultant 155

1 November 2012

Dear Sir or Madam,

I would like to express some opinions on the state of the UK private healthcare market. I am a consultant orthopaedic surgeon with a full time NHS practice and a private practice and have been for [X] years.

Over the last five years, the two largest medical insurers, who together have almost 70% of the market, have increasingly restricted access to consultants for their clients and have introduced restricted registration for newly appointed consultants.

The classic free market model in healthcare has the doctor treating the patient, referred by a general practitioner, either by recommendation from that general practitioner (based on how well previous patients have been treated by that consultant) or by recommendation from previous patients. The role of an insurance company is to provide payment for this service up to an agreed level, according to the level of insurance purchased by the consumer. Previously the majority of consultants charged within the benefit maxima of the insurance companies and the patients' bills were generally paid in full. Thus good service was rewarded and poor service punished by fewer referrals.

The insurers wish to disrupt this model and impose control on the market that is not in the best interests of customers, as choice is reduced. The free market system in healthcare must always be driven by quality, not merely by financial controls, or else it lays itself open to a 'race to the bottom' on fees and hence quality of care.

The new system brought in about 5 years ago by AXA/PPP and 2 years ago by BUPA is that new consultants are tied into a restrictive contract with the insurers. They are not allowed to charge above a level set by the insurers and can be derecognised if they do not follow the fee schedule. This clearly restricts new consultants' trade, as not signing up to the two major insurers' fee schedules effectively excludes them from almost 70% of the 'market'. In my opinion restrictive contracts between insurers and new consultants who have no other option but to sign up should be banned – at the very least they must not be compulsory.

Further, the fee schedule has now been significantly reduced by BUPA, meaning that patients treated by consultants not in the 'fee assured' system see their remuneration against their consultants' fees being cut by an average of 36% with nothing they can do about it (or having been informed about it). This is despite their policy charges being increased every year and those of consultants' surgical fees remaining static over the last 7-10 years (despite what BUPA and AXA/PPP claim).

These changes are being forced on patients and consultants by two large companies who have a monopoly control of the market. I believe that a bank or an oil company with a 40% share of the market would very likely to be forced to reduce in size, as they have the power to adversely control the market. This is restricting consultants' freedom to trade and I believe needs to be explored by the Competition Commission Investigation.

BUPA have also recently introduced an 'open referral' system, where the general practitioner to consultant relationship is disrupted by the requirement to refer to a 'referrals centre' (run by BUPA) which then tries to persuade the patient to go to see a 'fee assured' consultant. This may be appropriate for some patients whose aim is to get treated by someone and not to have a further payment to make. But many patients wish to see a particular consultant who has been recommended to them by friend, family or GP and who, in general, may be

more experienced and may be a national expert in their particular condition. Although this consultant is eligible ('recognised' but not 'fee assured') to treat BUPA patients, the call centre staff will often try to persuade them not to go and see them. In several cases, they have been told categorically that they cannot see the consultant that they would like to see and have to see one from the 'fee assured' list.

Even for 'fee assured' consultants the playing field is not level. Searching for a consultant on the BUPA website gives a list of consultants in non alphabetical order. Obviously they have been prioritised by BUPA in some fashion, presumably to encourage patients to see the cheapest, but no information has been given to any consultant as to how this has been done and therefore they will have no ability to alter their position in the rankings. This opaque system does not promote free choice for the consumer.

All insurance companies have exemptions for pre existing conditions. Patients then become tied to one company because another will not take over their care without banning care for a condition covered by their previous policy. This prevents the healthcare market from working normally as patients are not free to move their custom elsewhere. Other private healthcare systems in the world ban this, in order to permit free movement between insurers. With large enough numbers, any insurance company will lose and gain roughly equal numbers of patients with pre existing conditions and should not be worse off. However, the customer would benefit from free movement between insurers with more choice and competition.

Another of the issues raised by medical insurers is that there is not enough competition between consultants. There has in fact been a massive increase in the number of consultants over the last 15 years, and this information is readily available from the British Orthopaedic Association Census data. This is healthy as it forces me to up my game to get work and this is how the free market works. I think these figures will show that there has already been an increase in competition rather than a reduction as suggested by the insurance companies.

In conclusion, the insurance companies need to be honest with their customers and give precise details of what and how much they will pay for procedures, before customers take out policies. More expensive policies could be sold that would guarantee not to leave a gap between fees and remuneration, cheaper policies would guarantee a fixed sum and the patient is liable for the remainder, but they would be aware of this before taking the policy out. By instead manipulating the doctor-patient relationship in the above ways, these insurance companies are taking on an implied governance role in their advice to customers. However, unlike the General Medical Council (who have this remit), they are using price, rather than quality as the marker of 'assurance'.

The actions of BUPA and AXA/PPP with almost 70% of the healthcare market are clearly anticompetitive. They need to be broken up into smaller companies offering real competition in the healthcare market.