Consultant 8

21 September 2013

Dear Sirs

PRIVATE HEALTHCARE MARKET INVESTIGATION

I read with interest your recent preliminary report on the healthcare market. I feel however that one of the most important element in restricting competition in market which has been missed completely and that is the role of the insurance companies in restricting competition and limiting a true competitive healthcare market.

I want to bring to your attention a number recent experiences my colleagues and myself have had with the insurance companies.

The first is a colleague based in [✂] a consultant surgeon with a substantive NHS appointment recognised by the insurance companies for personal insurance purposes has now built a new clinic recognised and registered by the CQC and it is now registered and it meets all the prerequisite standards demanded by the CQC (in fact the standards are higher as the requirements for new registrants is higher than for existing providers). The consultant surgeon's newly formed company subsequently applied to the principle insurance companies for recognition. Recognition was denied by both Bupa and PPP despite the price offered being approximately 50% of that of either the [✂] or the [✂]. This failure of recognition by the insurance companies combined with companies such as Bupa building its own imaging facilities gives them a substantial and unfair advantage which will stifle new entrants into the market. It also puts an additional element of risk into new entrant entering the healthcare market.

A simple solution to this problem would be that the CQC should be the arbiters of what institutions/premises are suitable for the practise of medicine not the insurance companies who are able to drive business to their own premises thus increasing their own profits by limiting competition and restricting the premises able to treat their patients. Also Bupa and the other insurers should not be allowed to provide/invest in its own premises thus restricting practice and enabling it to drive patients to its own institutions (If they wish to do this the basis of recognition of their premises should be transparent and identical to that of other providers and be separate organisations and subject to fair competition).

The second instance of unfair restrictive practise is how Bupa uses it market dominance to unfairly force down prices of smaller providers below cost price.

In my own practise where I built my own clinic and offered the insurance companies 30 % lower price than the BMI and other private hospital prices and the final contract agreed with Bupa was at almost a 50% discount to the BMI prices.

Two years later Bupa came back to renegotiation of the contract and the prices were further discounted by 35-60%. Bupa knows they are a major supplier and that they have a dominant position in the healthcare market therefore we are effectively forced to take it or ceased to be recognised by Bupa. In fact the prices offered for the total procedure including histology is less than the histology price charged to the clinic by the histology provider (and 20% of the total price paid for the same procedure in the local BMI hospital). This over dominance of the market by Bupa and others needs to be restricted as it limits competition as it forces small units such as our own to look for a bigger partner to assume their branding in order to remain financially viable.

If patients (the consumer) were given an agreed pot for a procedure this should be fully transferable between institutions so if you take Aviva or PPP patient who has a limited outpatient pot of £1000 per annum if patients have a choice of paying £46 for a FBC with BMI or £11 with TDL (who they send blood to anyway and partially own) then that would provide greater choice (if BMI and others was also forced to advertise the price they charge the insurance companies for a procedure or a service). Certainly recently it proved impossible for a patient of mine to know prior to a procedure what the excess would be after a procedure if it was done at a BMI hospital because the self funded price is so different from the insured price.

There should be a standard hospital fee for a procedure independent of the institution (there would need to be a market forces factor similar to that used by NHS with payment by results which will increase or decrease the fee dependent on location). This would allow a degree of financial stability to new entrants into the market and lead to true competition with any willing provider entering the market and driving down costs. A provider can therefore advertise that they are within a particular insurance companies pricing structure rather than getting a nasty and expensive shock after the event one patient of mine had 6 biopsies the hospital was charged £120 by the consultant for reporting the biopsies, in a non BMI independent laboratory and the insurance company was charged £1,800 which exceed the patients outpatient limit leading to a huge shortfall for the patient.

A further solution to the escalating histology fees being marked up by BMI and HCA is for the histopathology consultant to bill the insurance company independently for their services rather than the situation with Spire, where Spire forces consultants to send histopathology to its own laboratories, runs the laboratory and contracts the histopathology consultants to do the work then marks up the services of the histopathologist and laboratory. Or BMI or HCA where they outsource the work completely and add a handing fee of 300-400%. The laboratory processing fee should be separated and billed independently billed to the patient/insurance company.

Until the problems of the insurance companies is addressed there will not be a level playing field in the healthcare market.