

Completed acquisition by Simplyhealth Group Limited of Denplan Limited

ME/5313/11

The OFT's decision on reference under section 22(1) given on 16 March 2012.  
Full text of decision published 29 March 2012

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**Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.**

## **PARTIES**

1. **Simplyhealth Group Limited (Simplyhealth)** is the UK-based parent company of the Simplyhealth Group, which primarily operates in the health cash plan ('HCP') sector but also offers dental insurance (to both individuals and corporate customers) as well as private medical insurance ('PMI').<sup>1</sup>
2. **AXA UK plc (AXA)** is part of the group of businesses controlled by AXA S.A., a France-based global insurance provider (the '**AXA Group**'). The AXA Group engages in life, health and other forms of insurance as well as investment management.
3. **Denplan Limited (Denplan)** was part of the AXA Group. Denplan is a UK-based specialist provider of administrative services, which facilitates dental capitation and maintenance plans and also offers dental insurance (to both individuals and corporate customers). The insurance was underwritten by AXA PPP Healthcare. Denplan has 6,500 member dentists, who are its primary route to market and 1.8 million registered patients. For the financial year ended 31 December 2010, Denplan's UK turnover was £ [ ] million.

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<sup>1</sup> PMI is an insurance scheme which offers specialist consultation and diagnosis cover and provides hospital inpatient and outpatient treatment.

## TRANSACTION

4. Simplyhealth acquired the entire issued share capital of Denplan on 20 December 2011 for approximately £113 million from the AXA Group (the '**Transaction**').
5. The Transaction was notified to the OFT on 24 January 2012, the administrative deadline is 20 March 2012 and the statutory deadline is 20 April 2012.

## JURISDICTION

6. As a result of the Transaction the enterprises Simplyhealth and Denplan have ceased to be distinct. The merged parties overlap in the supply of dental plans in the UK as well as the supply of dental insurance (to both individuals and corporate customers) in the UK with a combined share of supply exceeding 25 per cent in both cases (see paragraphs 46 and 41 below, respectively). The share of supply test in section 23 of the Enterprise Act 2002 (the '**Act**') is therefore met. The OFT therefore believes that it is or may be the case that a relevant merger situation has been created.

## FRAME OF REFERENCE

7. Dentistry treatments can be procured through the NHS or privately. Patients who are not exempt from NHS charges but wish to receive NHS treatment pay subsidised amounts for their treatment. The amounts that patients pay for NHS treatments are regulated and therefore do not vary between practices.<sup>2</sup> If patients wish to receive private treatment, the treatments, prices and payment methods available to them are set by the individual practice.<sup>3</sup>

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<sup>2</sup> In England, Wales and Northern Ireland patients pay an amount in one of three price bands (depending on the complexity of the treatment) whereas in Scotland patients pay per item of treatment. OFT, *Dentistry Market Study: Statement of Scope/Q&A*, 2011.

<sup>3</sup> OFT, *Dentistry Market Study: Statement of Scope/Q&A*, 2011.

8. The majority of individuals pay for dental work on an 'out of pocket' basis.<sup>4</sup> However, individuals wishing to obtain full or partial cover for their dental treatments have a number of options, albeit with different characteristics, open to them, namely:
  - dental capitation plans (monthly payment plans including maintenance plans),
  - dental insurance plans, and
  - HCPs.
9. With respect to both dental insurance and HCPs, such cover can be obtained directly by an individual or through a corporate scheme.
10. The merged parties overlap on the narrowest product frame of reference in the provision of corporate dental insurance and individual dental insurance. There is no overlap in the provision of HCPs (where only Simplyhealth is active) or in the provision of dental capitation and maintenance (where only Denplan is active).
11. In *Denplan Limited / BUPA DentalCover Limited*,<sup>5</sup> the OFT considered the overlap between the parties in the supply of dental capitation schemes. The OFT noted at that time that there were reasons to think that the relevant market was broader than capitation alone. At its widest the market may be regarded as comprising the various different payment methods available to fund dental treatment, including dental capitation cover, dental insurance cover, cash plans, employee benefit schemes, and other payment or credit card arrangements provided by dentists for private treatment, referred to as private fee per item ('PFPI').
12. The OFT therefore considers below whether it is appropriate to widen the product frame of reference in this case to include capitation (including maintenance) or HCPs or all of these forms of dental plans.

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<sup>4</sup> 77 per cent by value of non-NHS dentistry payments are paid for 'out of pocket' (that is with no dental plan of any kind) and 42 per cent of all dentistry payments (where NHS payments account for 46 per cent in 2010) are paid for 'out of pocket'.

<sup>5</sup> Completed acquisition by Denplan Limited of BUPA DentalCover Limited, 30 April 2001.

## **Product scope**

13. The merged parties submitted the Transaction should be analysed on the basis of each of the following being a separate frame of reference:
  - dental capitation/maintenance,
  - HCPs, and
  - dental insurance.

## **Dental insurance**

14. Considering first the area of direct overlap between the parties, dental insurance – this provides dental cover up to specified financial limits for a variety of treatments. Policyholders pay the dentists directly for the dental treatment received and then claim back all or part of the cost from the insurer, with whom they or their company contracted. The insurance will cover visits to any dentist or applicable dental professionals (such as hygienists) but generally excludes pre-existing conditions.

## **Segmentation by customer type**

15. Dental insurance can be offered to individuals directly (through telesales, the internet or direct marketing) or to corporate customers (either directly or through brokers).
16. The OFT is of the view that individual and corporate dental insurances may be close substitutes from a demand-side perspective in those instances where corporate plans are available but the employee bears the cost. Where corporate dental insurance is paid for by the employer it would seem unlikely that the employee would take out a separate individual insurance policy. Also, where corporate plans are not available to an individual there is clearly no demand-side substitution possibilities.
17. OFT guidelines say that the boundaries of the relevant product market are generally determined by reference to demand-side substitution alone.<sup>6</sup> However, supply-side factors may be considered when production assets can be used to produce different products and the ability exists for firms to

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<sup>6</sup> Joint publication of the Competition Commission and the OFT, *Merger Assessment Guidelines*, September 2010, paragraph 5.2.17.

quickly switch production between those products and the same firms compete to supply the different products and the conditions of competition between the firms are the same for each of the products. The OFT considers that in this case it is appropriate to consider supply-side factors.

18. From a supply-side point of view, individual and corporate dental insurance are sold through different marketing channels and by a number of different players. However, the merged parties' provided evidence of BUPA's recent example of entry (in December 2011) into individual dental insurance by a corporate dental insurer. Competitor responses were mixed as to whether they would consider entering into either corporate or individual dental insurance in response to a five per cent price rise but, clearly, the BUPA example suggests it is possible.
19. However, the OFT does not need to come to a firm conclusion as to whether corporate and individual dental insurance are separate or form part of the same market, given that no competition concerns arise under any of these frames of reference.
20. The OFT considers below whether it is appropriate to widen the dental insurance product scope to include other forms of dental plans. The OFT's approach is generally to first consider if a narrow candidate product frame of reference can be widened through substitution on the demand-side, and then, if appropriate, to consider if substitution on the supply-side allows several products, which are not demand-side substitutes, to be aggregated into one wider frame.<sup>7</sup>

### **Demand-side substitution**

21. Dental capitation plans involve individuals paying a set monthly fee for yearly check-ups, hygienist appointments and treatments (usually excluding laboratory fees, implants and cosmetic dentistry).<sup>8</sup> The fee is based on the dentists assessment of the likely treatment required for each individual. Dentists generally appoint a capitation provider to collect the monthly fees on their behalf and provide dental accident and emergency insurance to the patient. The capitation provider will charge an administrative fee to the

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<sup>7</sup> Joint publication of the Competition Commission and the OFT, *Merger Assessment Guidelines*, September 2010, paragraphs 5.2.6 to 5.2.19.

<sup>8</sup> Dental capitation is not offered through corporate schemes.

dentist for its services. Maintenance plans are similar but cover only routine check-ups and do not include additional dental treatments.

22. HCP is a scheme that offers defined cash benefits when a subscriber needs to make a payment for healthcare. HCPs typically cover a range of healthcare costs such as dental, optical, complementary therapies, health screening and consultations. Similarly to dental insurance, the patient will pay for the cost of treatment upfront and then claim all or part back from the insurer with whom they contracted. HCPs tend to cover pre-existing medical conditions. Dental work represents around 20 to 30 per cent of claims by value.<sup>9</sup>
23. The merged parties provided an overview of the key features of dental maintenance and capitation, dental insurance and HCPs, which is set out in Table 1 in Annexe 1.
24. Laing & Buisson refers to a single 'capitation/maintenance plan market'.<sup>10</sup> Whilst not needing to conclude on the point, the OFT considers that capitation and maintenance plans are close substitutes from a demand-side perspective (in that they are very similar products, albeit maintenance plans have a reduced level of cover – since they exclude dental treatments – with a similar purpose of funding preventive healthcare with a specific dentist trusted by the customer). The OFT believes they are also close substitutes from a supply-side perspective (same channel to market via member dentists, same suppliers). As such, all future references in this decision to capitation should be construed so as to include maintenance unless explicitly stated otherwise.
25. Third party responses were mixed as to the substitutability of capitation, dental insurance and HCPs. A minority of third parties noted that all three types of dental cover provide funding for dental costs and, as such, are substitutes.
26. In *HSA Group Limited / Health Innovation Services Group Limited* ('the **HSA decision**'),<sup>11</sup> a merger between HCP providers, the OFT noted mixed views

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<sup>9</sup> 22 per cent according to the merged parties' calculations using data from the Laing & Buisson 2011, *Dentistry UK market report* and 2011, *Health Cover UK Market Report*, although the merged parties submitted [ ] per cent is a more accurate figure.

<sup>10</sup> Laing & Buisson 2011, *Dentistry UK market report*, page 106, 6.3.1.

<sup>11</sup> ME/1806/05 Completed acquisition by HSA Group Limited of Health Innovations Services Group Limited, 22 September 2005.

from third parties about demand-side substitutability, with capitation customers not interested in the full cover of HCPs and dental costs making up a limited proportion of the value of claims by HCP customers.

27. One third party in this case argued that dental insurance and HCPs are substitutes as both are distance sold by contrast to dental capitation which is purchased on-the-spot at the dentist's practice. The Laing & Buisson report on UK dentistry suggests that capitation and other dental plans are poor substitutes as capitation 'promotes preventive dental health care' while '[i]nsured patients are not demanding a preventive program of dental care, but insurance against future need for treatment in moments of pain and discomfort'.<sup>12</sup>
28. The merged parties also provided evidence of switching which suggests that capitation plans on the one hand and dental insurance and HCPs on the other are not substitutable from a customer's perspective. Less than [0-5] per cent of Denplan's customers who leave a capitation plan move to a dental insurance plan or HCP. Similarly, less than [0-5] per cent of Simplyhealth customer's who leave either a dental insurance or HCP do so because they have taken out a capitation plan.
29. The price differential between the products may also indicate that they are aimed at customers with different preferences over the level and scope of cover. According to the merged parties' estimates set out in Table 1, capitation is on average twice as expensive as dental insurance and 50 per cent more expensive than individual HCPs and almost four times as expensive as corporate HCPs.
30. Third parties also noted that the products offer different degrees of cover for dental costs and dental-only products are not a good substitute for HCPs, which have wider cover. This is supported by the following statement from Laing & Buisson: 'subscribers to [HCPs] are demanding a more wide-ranging product than a stand-alone dental insurance plan'.<sup>13</sup>

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<sup>12</sup> Laing & Buisson 2011, *Dentistry UK market report*, pages 94, 6.1.1 and 95, 6.1.3. respectively.

<sup>13</sup> Laing & Buisson 2011, *Dentistry UK market report*, page 96.

## **Supply-side substitution**

31. In its HSA decision, the OFT noted that from a supply-side point of view, substitution between dental capitation cover and HCPs may be limited by the fact that, for dental capitation cover, a distribution process (one targeted at dentists) is required by insurers since capitation sales are actually conducted by dentists. In the same decision, the OFT noted that third parties suggested it could take as long as five years for a dental cover provider to enter and gain a five per cent share of supply of HCPs. Consequently, dental capitation was excluded by the OFT from the frame of reference in that case.
32. Evidence suggests that there are limited substitution opportunities between the products. Most dental plan providers indicated to the OFT that they would not switch to another type of plan in response to a five per cent price rise.
33. Supply-side substitution appears to be especially limited between capitation and other products because of the different skills and infrastructure required by the different distribution processes. Several third parties indicated it would take considerable investment and time to build up a network of affiliated dentists.
34. While the evidence in this case would tend to support the conclusion in the HSA decision it is not necessary to come to a firm conclusion as to the product scope given that no competition concerns arise under any combination described above.

## **Geographic scope**

35. In previous cases,<sup>14</sup> the OFT considered the frame of reference to be national in scope. In the HSA decision, the OFT noted that some players have strengths in different geographic regions but considered that the evidence did not suggest it would be difficult for them to expand their geographic reach across the UK.

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<sup>14</sup> ME/1806/05 Completed acquisition by HSA Group Limited of Health Innovations Services Group Limited, 22 September 2005 and Completed acquisition by Denplan Limited of BUPA DentalCover Limited, 30 April 2001.



36. The merged parties submitted that the geographic scope of the overlapping products is UK-wide at the narrowest level given that suppliers of dental plans employ a national business strategy whereby products are supplied, marketed (including through the internet, national press and national television advertising campaigns) and priced on a national basis.
37. The OFT has found no evidence to suggest that the geographic frame of reference was narrower than the UK and therefore, in line with previous decisions, considers the geographic scope to the national.

## **Conclusion**

38. The OFT has considered the impact of the Transaction on the narrowest frame of reference, namely the provision of dental insurance (to individuals and/or corporate customers) as well as on a wider basis, namely the provision of all dental plans as well as the provision of a combination of any of capitation plans, dental insurance plans and HCPs in the UK.

## **HORIZONTAL ISSUES**

### **Shares of supply**

#### **Dental insurance**

39. Simplyhealth estimated its share of supply of individual dental insurance to be [30-40] per cent. The increment from the Transaction is small, with Denplan's share of supply estimated at [0-5] per cent.
40. Similarly, with respect to corporate dental insurance, Denplan's estimated share of supply is [40-50] per cent but Simplyhealth estimated its own share of supply to be [0-5] per cent and therefore, the increment from the Transaction is small.
41. Simplyhealth estimated its share of supply of the total dental insurance market to be [10-20] per cent and Denplan's to be [20-30] per cent. This is based on a total market size of £78.7 million for 2010.<sup>15</sup> The merged parties submitted this is an underestimate of the market size and this is supported by the third party information received by the OFT in the course

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<sup>15</sup> Laing & Buisson 2011, *Health Cover UK Market Report*, Table 3.1.

of its investigation. However, the OFT adopts a cautious approach and uses the above shares of supply.

42. As can be seen from the above shares of supply, the merged parties each focus on a different customer segment within dental insurance (individual or corporate) and have a very limited presence in the other's core segment. With respect to corporate dental insurance, Denplan submitted it considers [ ] to be its closest competitors. The OFT considers this is supported by evidence provided by the merged parties. Of the [ ] business losses Denplan suffered in 2011, the merged parties submitted [ ] were lost to [ ] with only [ ] to Simplyhealth. In terms of new business opportunities, Denplan lost the largest amount to [ ], followed by [ ] with only [ ] to Simplyhealth.
43. The merged parties face a number of competitors on the dental insurance market. According to Laing & Buisson,<sup>16</sup> there were at least 15 providers of dental insurance as of June 2011. These include other established players in corporate dental insurance, such as CIGNA, BUPA and Capita/NPD, as well as AXA in the individual dental insurance segment. According to the figures submitted by the merged parties, Capita/NPD has a [10-20] per cent share and CIGNA has [10-20] per cent of dental insurance.
44. According to the merged parties, there have been a number of entries into the dental insurance segment in the last five years, namely Tesco and AXA PPP Healthcare via direct sales in 2007 in individual dental insurance. Further, there has been expansion within the dental insurance segment with BUPA entering the individual dental insurance segment in December 2011 (see paragraph 18 above). Third parties did not raise any concerns with respect to unilateral effects of the Transaction on the dental insurance segment.
45. The OFT therefore considers that the Transaction does not give rise to a substantial lessening of competition ('SLC') in the supply of dental insurance (whether to individuals, corporate companies or both) in the UK.

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<sup>16</sup> Laing & Buisson 2011, *Health Cover UK Market Report*, Table 7.5.

## Dental plans including capitation, dental insurance and/or HCPs

46. The merged parties also provided shares of supply estimates for capitation and HCPs as well as for all dental plans. Table 2 below sets out the merged parties' shares of supply on each of dental capitation, dental insurance and HCPs. On any combination, the merged parties' estimated shares of supply are [50-60] per cent or below and the increment is [0-10 per cent].

**Table 2 – Estimated shares of supply by value (%) (2010)**

Supplier	Dental Capitation	Total Dental Insurance	HCPs
<b>L&amp;B est. 2010 market size</b>	<b>£488m</b>	<b>£79m</b>	<b>£482m<sup>17</sup></b>
Denplan	[50-60]	[20-30]	0
Simplyhealth	0	[10-20]	[40-50]
<b>Combined</b>	<b>[50-60]</b>	<b>[40-50]</b>	<b>[40-50]</b>

Source: the merged parties (for the shares of supply), Laing & Buisson 2011 Health Cover UK Market Report (for the market size).

47. The evidence the OFT has received shows that the merged parties are not close competitors. Denplan's core offering is in capitation whereas Simplyhealth's is in HCPs, as recognised by a number of third parties. These two types of dental plans are unlikely to be close substitutes, given they have different characteristics and aims. Further, evidence from third parties suggests that supply-side substitution is limited between these products.
48. The merged parties provided evidence of extremely low diversion ratios. Simplyhealth indicated that only [0-10] per cent of customers who leave its HCP or dental insurance appear to have moved provider. Denplan tracks its capitation plan leavers and only [0-5] per cent claim to have moved to a dental insurance or HCP. Further, less than [0-5] per cent of leavers moved to Simplyhealth's HCPs.

<sup>17</sup> Including non-dental claims.

49. The merged parties also submitted internal evidence that, in the OFT's view, supported their assertion that they do not consider each other to be their closest competitors. Simplyhealth submitted a presentation to the Board about competitor performance analysis, which suggests Simplyhealth sees [ ] as its main competitors as [ ].<sup>18</sup>
50. Further, Simplyhealth's product development team carries out comparisons of its products with competitors' offerings. According to the merged parties, [ ] is the most closely watched competitor [ ] alongside [ ].
51. Denplan considers [ ] and [ ] to be its closest competitors with respect to dental capitation as evidenced by a number of documents showing it mainly monitors brand awareness, dentists' views and marketing campaigns of [ ].<sup>19</sup> With respect to corporate dental insurance, Denplan submitted evidence to support its assertion that it considers [ ] and [ ] to be its closest competitors (see paragraph 42 above).
52. The OFT therefore considers that the Transaction does not give rise to a SLC with respect to all dental plans or any combination of capitation, dental insurance or HCPs in the UK.

### **Barriers to entry and expansion**

53. Third parties indicated that the main barriers are Financial Services Authority ('FSA') regulation (obtaining regulatory approval and meeting capital requirements) for dental insurance and HCPs, developing dentistry knowledge (as well as other healthcare knowledge in the case of HCPs) for successful product design and setting up adequate distribution networks.
54. Based on the evidence received, the OFT considers that barriers to entry are higher in capitation (despite the exclusion from the scope of FSA regulatory requirements) due to the difficulty to penetrate existing networks of dentists and build up sufficient scale due to consumers' loyalty to their dentists.
55. However, as the Transaction does not give rise to concerns over unilateral effects, there is no need for the OFT to reach a firm conclusion regarding barriers to entry and expansion.

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<sup>18</sup> [ ] (Annexe 1 to OFT's further information request of 25 January 2012).

<sup>19</sup> Annexes 3, 4, 5 and 6 to the OFT's further information request of 25 January 2012.

## **VERTICAL ISSUES**

56. Whilst the OFT has not received any evidence to suggest the merged parties are vertically integrated or have a vertical relationship, some third parties expressed concerns that the Transaction gives Simplyhealth access to an extensive network of dental practices, which may result in competing insurers and HCP providers being foreclosed in terms of (i) access to dentists by insurers and HCP providers as a marketing channel and (ii) access to dentists by insurers' customers. Each of those arguments is considered in the following paragraphs.

### **Foreclosure of access to dentists by insurers and HCP providers as a marketing channel**

57. Denplan's network covers only [ ] dentists. Dental plan competitors thus have many alternative dental practices available should they decide to market via such a channel.
58. In any event, Simplyhealth submitted that less than [0-5] per cent of all of its HCPs and dental insurance plans were sold through health care practitioners. The OFT did not receive any evidence which suggests dental practices represent a significant distribution channel to HCP or dental insurance providers.
59. Based on the evidence above, the OFT is of the view that the merged entity does not have the ability to foreclose insurers and HCP providers from access to dentists as a marketing channel.
60. Simplyhealth submitted that claims from HCP customers who joined through health care professionals are on average [ ]. However, given the OFT has found no ability to foreclose, the OFT does not need to reach a firm conclusion on the questions of the incentive and effects of foreclosure.

### **Foreclosure of access to dentists for non-capitation consumers**

61. Some third parties expressed concern that as a result of the Transaction consumers using dental insurance or HCPs may be prevented from purchasing dentistry services from a dentist affiliated to Denplan, or the

latter may charge unfairly high prices<sup>20</sup> to individuals claiming under insurance or HCPs from competitors.

62. The merged parties submitted that dentists operate independently and there are no contractual terms in the Denplan agreement to this effect. Further, the majority of dentists' customers pay on an 'out of pocket' basis and others will pay and then reclaim through an insurance plan or HCP (of which the dentist may or may not be aware). This would remove dentists' incentives to accept pressures by the capitation provider to refuse to supply, or supply at manifestly uncompetitive prices, such a large portion of potential demand that could be met by non-affiliated Denplan practices.<sup>21</sup>
63. The OFT does not discount the possibility that the behaviour of individual dentists may raise point-of-sale issues (for example, pressuring consumers into agreeing to subscribe to a capitation plan) but these are not merger-specific concerns.
64. Based on the evidence submitted, the OFT considers that the prospect of Denplan's dentists preventing claims being made under insurance or HCPs with other providers such that it would lead to foreclosure of other insurance or HCP providers, even if it were possible for them to do so, is not commercially logical.
65. As noted above, Denplan's network only spans approximately [ ] of dentists such that customers of other insurance and HCP providers would, in any event, continue to have access to [ ] of dentists in the UK.<sup>22</sup>
66. Based on the above, the OFT is of the view that the merged entity does not have the ability to foreclose access to dentists affiliated with Denplan by non-capitation customers. The OFT therefore does not need to reach a firm conclusion on the questions of the incentive and effects of foreclosure.

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<sup>20</sup> We note that capitation monthly fees provide a predictable stream of revenues to dental practices, and as such, some level of discount on the PFPI price may be justified.

<sup>21</sup> We do not consider local issues of competition between dentists, which is unaffected by the merger.

<sup>22</sup> We do not consider local issues of competition between dentists, which is unaffected by the merger.

## THIRD PARTY VIEWS

67. Third party comments, including with respect to foreclosure of dentists as a marketing channel and of access to Denplan dentists, have been taken into account and discussed above where relevant. Other concerns raised by third parties about potentially anticompetitive practice are discussed below. No customers expressed any concerns with the Transaction and the majority of competitors did not express any concerns with the Transaction either.
68. Third parties raised concerns about the merged entity's ability to bundle dental insurance, PMI and HCPs to corporate customers. The OFT has found no evidence of 'must-have' products that could be leveraged to push bundled sales and no obvious cost advantage in providing these products in combination. Separate alternatives will continue to be available for purchase and it appears that AXA PPP Healthcare and Denplan had limited success with cross-selling, despite being in a position to pursue such a strategy. The OFT therefore concludes that the merger has no realistic prospect of resulting in conglomerate effects.
69. Third parties also raised concerns about the merged entity's ability to predate and cross-subsidise between the different dental plans. For example, higher-margin capitation could in theory help subsidise other products. However, the OFT considers that given the lower margins available for HCPs and insurance, coupled with low switching rates and [ ] low diversion rates across products, neither strategy would be profitable, and therefore the risk of cross-subsidisation or predation occurring is negligible.

## ASSESSMENT

70. The merged parties overlap in the supply of dental insurance (to both individuals and corporate customers) as well as the supply of dental plans more generally given Denplan is the largest provider of dental capitation and Simplyhealth is the largest supplier of HCPs.
71. The merged parties' estimated combined share of supply in dental insurance in the UK is [40-50] per cent ([40-50] per cent in corporate dental insurance and [30-40] per cent in individual dental insurance).

However, the merged parties both focus on different customer segments of dental insurance with Simplyhealth mainly active in individual dental insurance and Denplan mainly active in corporate dental insurance such that the increment on each of these segments is only [0-5] per cent. Remaining competition includes several established providers of insurance products with a strong reputation.

72. When looking at a wider product frame of reference, the merged parties' core offerings are in different products (namely, capitation and HCPs), which are unlikely to be close substitutes and the merged parties have submitted strong evidence that they are not close competitors.
73. The OFT received third party concerns that Simplyhealth's access to a network of dental practices affiliated with Denplan may be used to foreclose competitors in dental insurance and/or HCPs. However, the OFT considers that the merged parties will not have the ability to engage in such foreclosure given alternative dental practices are available for providers wishing to advertise in this way and the OFT received evidence that dental practices are not a key marketing channel for Simplyhealth. Based on the evidence submitted, the OFT is of the view that the merged entity does not have the ability to foreclose access to dentists affiliated with Denplan by non-capitation customers.
74. Consequently, the OFT does not believe that it is or may be the case that the merger has resulted or may be expected to result in a SLC within a market or markets in the United Kingdom.

## **DECISION**

75. This merger will therefore **not be referred** to the Competition Commission under section 22(1) of the Act.



## ANNEXE 1

**Table 1: Typical features of different product types**

Product feature			Dental Insurance		Health Cash Plan	
	Capitation	Maintenance	Individual	Corporate	Individual	Corporate
Route to market	Through member dentists		Telesales / Online / Direct marketing	Brokers / Direct sale to company	Face-to-face / Telesales / Direct Marketing	Brokers / Direct sale to company
Pre-purchase oral check-up required	✓	*	*		*	
Cash-back policy – ie pay at time of treatment and claim back costs	*		✓		✓	
Degree of cover for standard procedures	Full cover	Full cover for maintenance, no cover for treatment (although sometimes discounted)	Pays back 50-100% of bill up to annual limits	Pays back 75-100% of bill up to annual limits	Pays back 50-100% of bill up to annual limits	Usually pays back 100% of bill up to annual limits
Dental Accident & Emergency included	✓		✓		*	
Base monthly premiums	£15	£11	£7.50	£7	£10	£4
Pre-existing conditions included?	✓	Not applicable as no cover for dental treatment	*	Usual for transferred business	✓	
Qualifying periods for dental treatment	*		✓	Only for Mouth Cancer	*	*
Cover outside dentistry	*		*		✓	
Choice of dentist	*		✓		✓	
NHS or Private	Private		Either		Either	

Source: Simplyhealth