

Latest on the Competition Commission's review of the Private Healthcare market.

Following a period of information gathering and analysis, including formal hearings with a large number of parties, the Competition Commission (CC) has recently published its provisional findings and possible remedies.

Putting this into context, the CC began its review of the Private Healthcare market on 4 April 2012 and the review has a two year statutory period deadline of 3 April 2014.

The CC has focused its work according to seven 'theories of harm' or main areas which it believes may act to adversely affect competition in the private healthcare market:

- i) the market power of hospital operators in certain local areas;
- ii) the market power of individual consultants and/or consultant groups in certain local areas;
- iii) the market power of hospital operators in negotiations with insurers;
- iv) the buyer power of insurers in respect of individual consultants;
- v) any barriers to market entry which reduce competition ;
- vi) the limited information availability to various parties may limit competition
- vii) the effects of vertical integration.e.g. ownership of primary and secondary care facilities

The CC's work, and therefore the provisional findings and possible remedies, are mainly focused on the private healthcare providers (hospital groups and consultants).

Key provisional findings from the CC's review include:

Many private hospitals face little competition in local areas across the UK, leading to higher private medical insurance premiums and charges for private patients.

Incentive schemes, which encourage consultants to choose particular private providers for diagnosis and treatment, and the lack of available information on the performance of hospitals and consultants, further restrict competition.

The CC's possible remedies include:

- Divestiture of hospitals in areas where one operator owns a cluster of hospitals.
- In areas with just one or two hospitals, preventing the incumbent(s) from expanding and deterring entry by partnering with NHS hospitals to operate Private Patient Units.
- Preventing hospital operators from offering to consultants any arrangements, in cash or kind, which create incentives for consultants to refer patients to or treat them at its hospitals.
- Measures to prevent tying and bundling—where a hospital operator seeks to use its position in local areas as leverage in its negotiations with insurers—by stopping hospital operators responding to a loss of business or reduction in price in one area by raising charges in another.
- Measures to improve available information on consultant fees and quality, and on the quality of individual hospital's services.

- Information on the performance of hospitals and consultants is not yet as good as it should be to promote effective quality competition between private hospitals and between consultants.
- The CC has found no evidence that local market power possessed by consultants, either individually or in groups, is giving rise to competitive harm.

More detailed information, including the full report, can be found on the [Competition Commission's website](#).

The next steps are for all parties to respond with any reasons as to why the detailed provisional findings should not become final and on the possible remedies by the end of September.