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Health and Care Conference 2013

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Providing affordable Health Solutions for the “grey market”

Jan Lawson, The Private Health Partnership
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The PMI landscape for “The Grey Market”

- The PMI market is flat and has been for many years
- At ages 60+ full PMI often costs >£200 p.m.; unaffordable to most
- From 2003 “Over 60” PMI rates increased c2%p.a. more than younger ages*
- Only c7% of people aged over 65 have PMI
- Only c5% of people with Corporate PMI at work keep PMI post retirement*
- The NHS struggles to meet demand; especially for non-essential surgery
- The need is growing as Life Expectancy outgrows Healthy Life Expectancy

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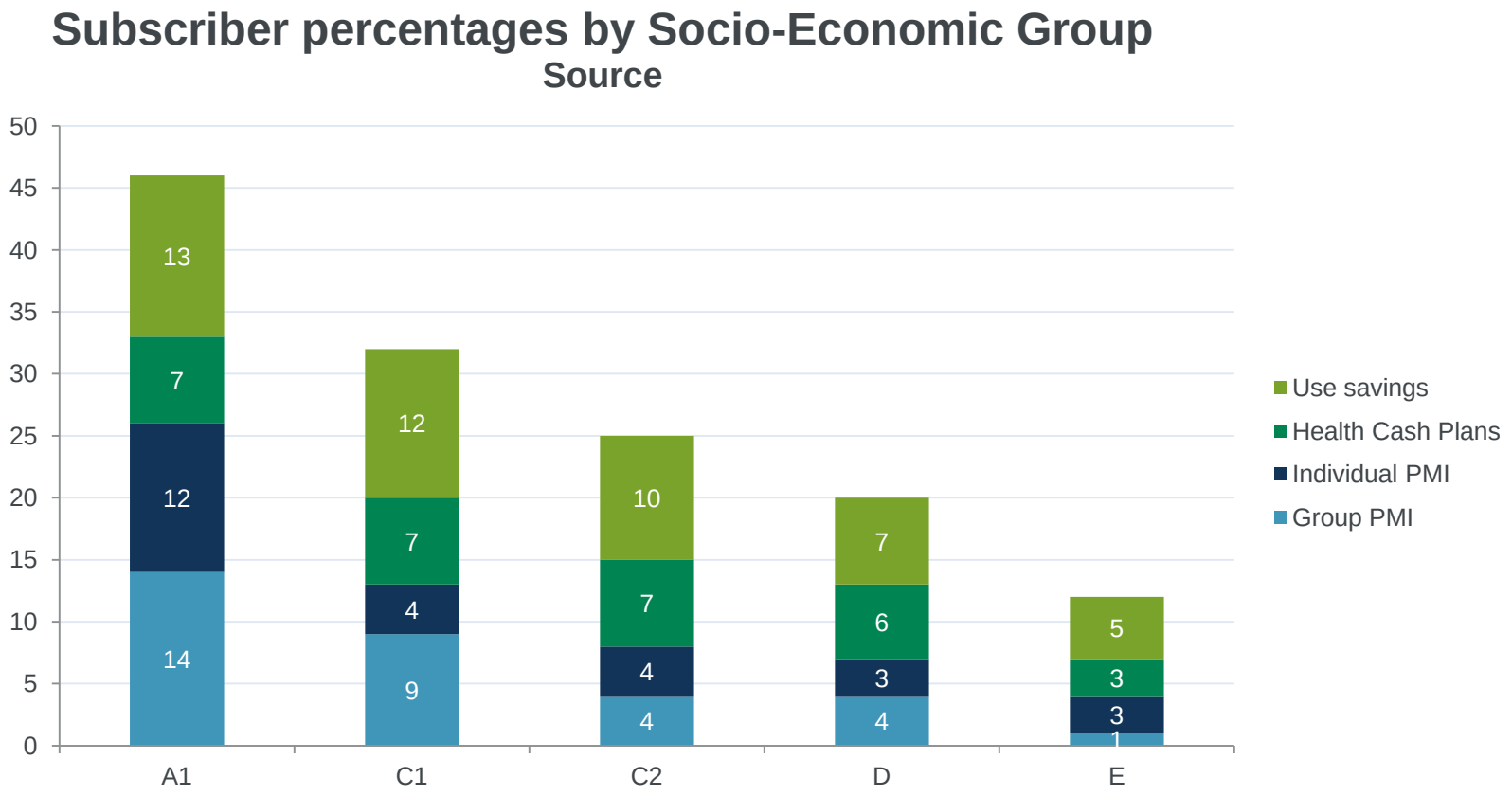
- *How can we, as Health Insurers, improve this health outlook for Over 60’s?*

Coverage by Socio-Economic group



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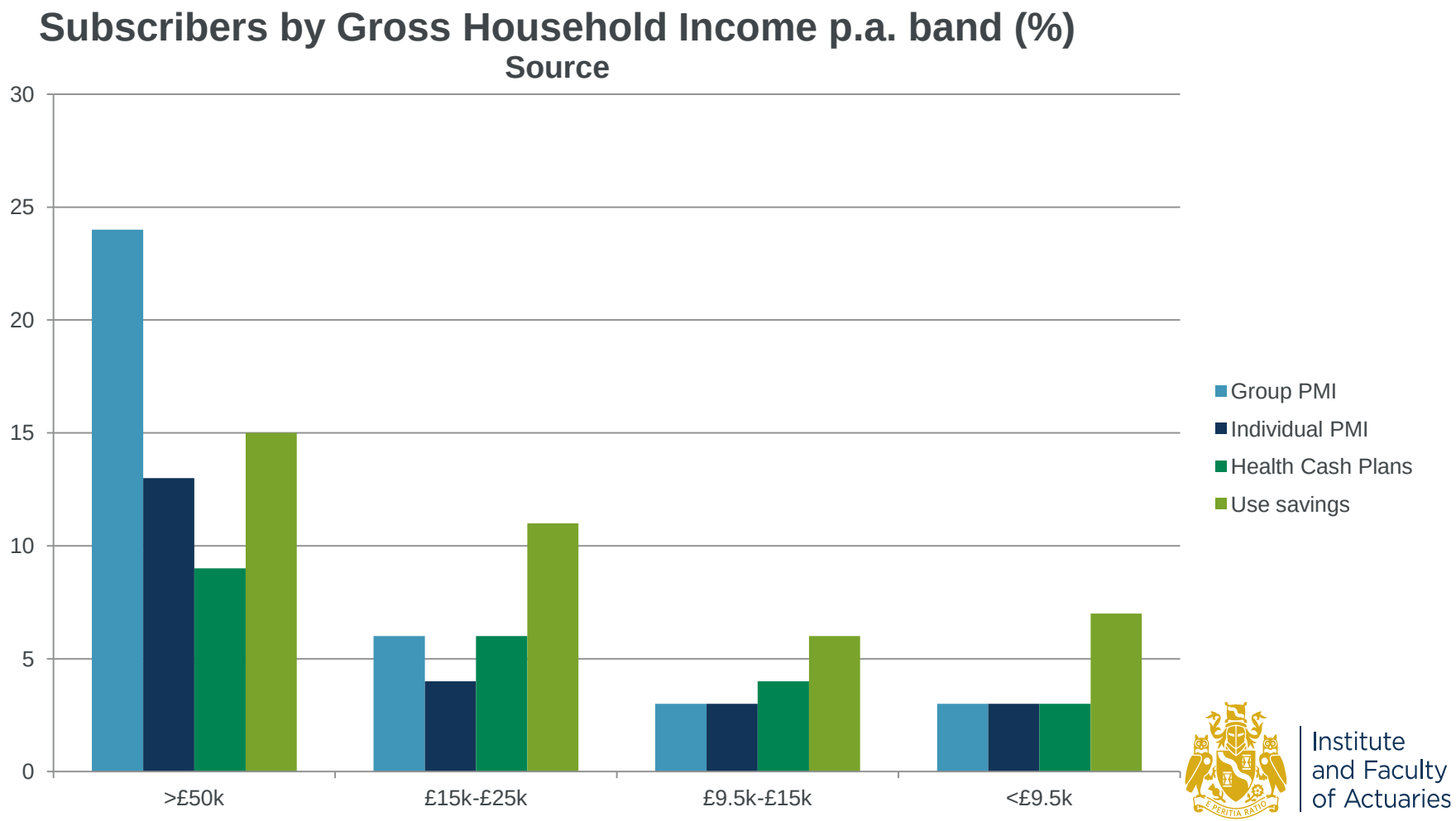
Coverage by Income Band



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Background to PMI decisions by Over 60's

- Most who have had PMI (Individual or Group) want it throughout life
- It is accepted that cover costs increase rapidly with age and medical inflation
- There is an expectation that PMI is to be claimed (unlike Home or Motor!)
- Various routes to control costs e.g. excesses are valued and regularly used

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Designing medical plans for older lives; what works?

- Purchasers are usually positive and focused on staying healthy for a long time
- Marketing and products should reflect the purchase mindset; not doom & gloom!
- Clarity of coverage is important (e.g. what is acute and chronic); ideally in printed documents
- Logical policy restrictions to control cost are acceptable
- Service elements, e.g. assistance sourcing treatment and rehab are valued
- Managing product interaction with NHS and any transition back to it is key

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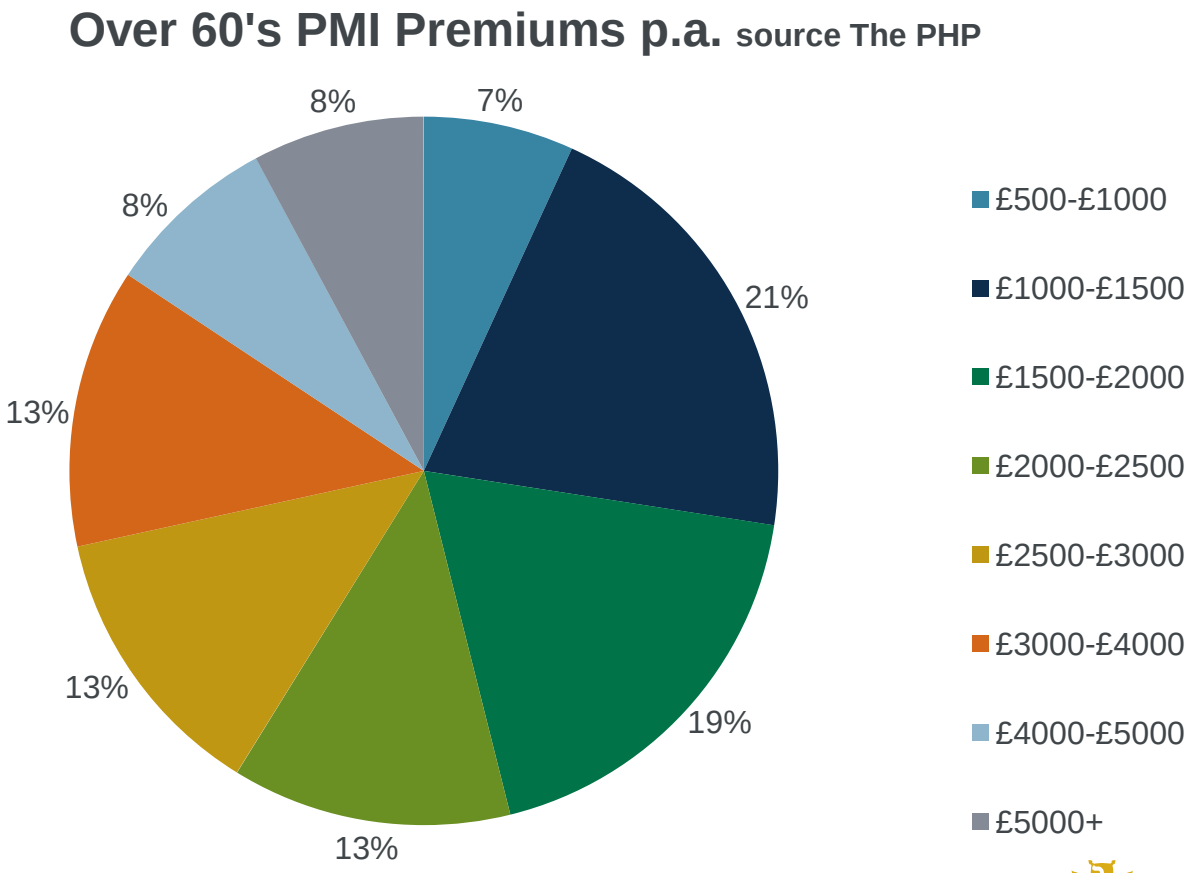
Example Premium distribution for over 60's PMI



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What options control costs effectively and help make cover stay affordable?

- Excesses (when understood!); levels depend on affluence
- Restricted hospital lists
- Moving to cheaper hospital scales e.g. not London
- In patient only or other limited benefits
- Co pay (e.g. WPA have up to 20%) & other elements of self pay

- *Older lives will often buy a downgraded version of what they had before!*

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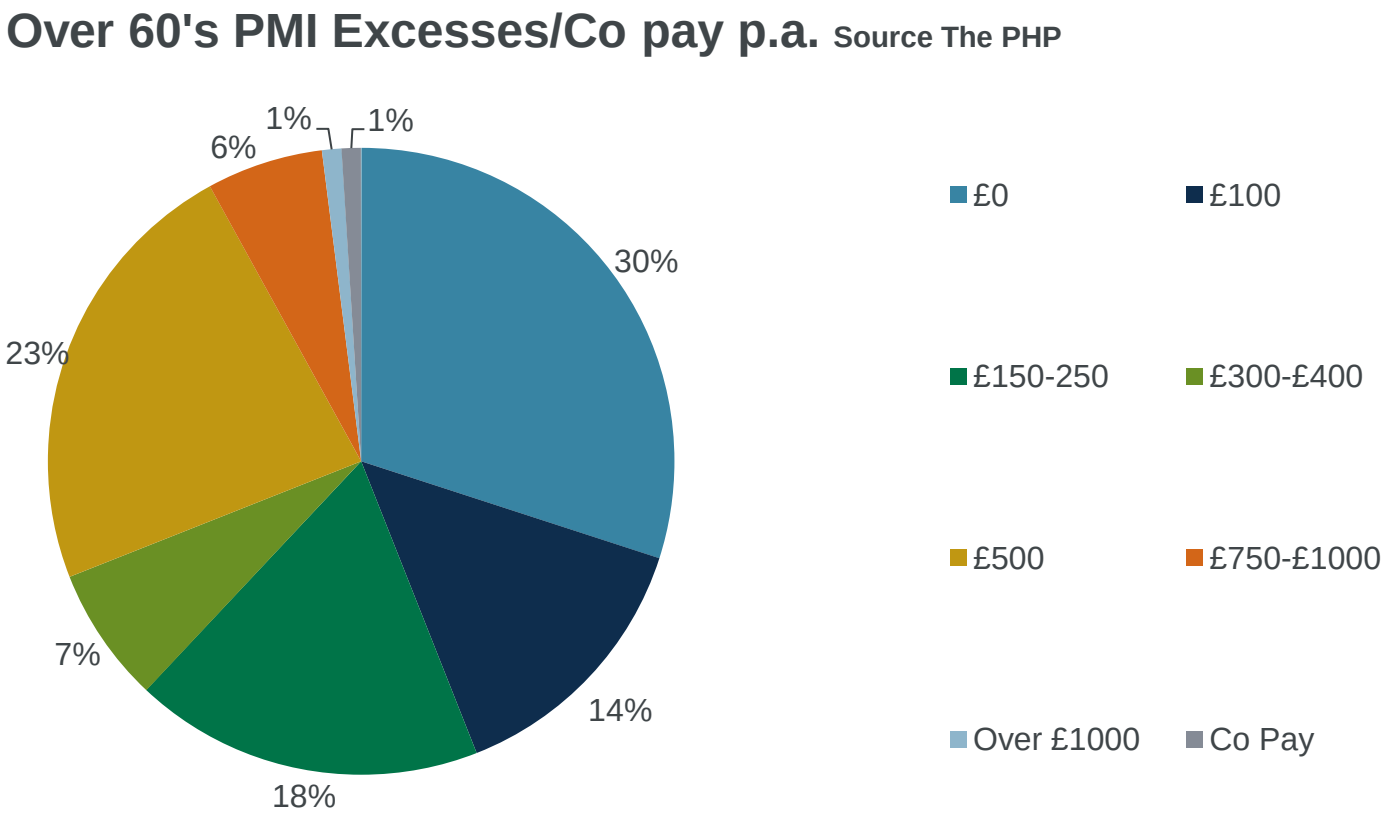
Example usage of Excesses and Co Pay by Over 60’s



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Would any other product features work to reduce the cost of PMI?

- A longer or stronger PECC – already quite restrictive at 5:2:2
- NCD's - only really on high XS plans, otherwise too penal on small claims
- Limited access e.g. Body Mass <30 – open to legal challenge, inaccurate
- Exclude treatment linked to preventative medicine e.g. statins – controversial
- Smoker differentiated – few smokers buy, arguably low claim impact too

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Could other product structures/types widen the target market at older ages

- MME type covers
- Diagnostics only
- Cancer plans
- Cash Plans

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MME type covers

- Product structure
  - Comprehensive - e.g. most ops, 7 bands £2200 to £20000, cost near PMI
  - OR Narrow targeted list of operations to keep costs low

- How to keep benefits right without over-paying or under-paying too often
- How much for NHS operations? Added value or “gimmick”
- Added value benefits; Treatment Sourcing, Health Help-lines, Grace etc
- Appeal also to those loyal to the NHS?
- What about the rest of the health jigsaw (diagnostics, cancer, outpatient)?

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Diagnostics only

- Consultations - how many covered? Claims gatekeeper?
- Scans - With or without PET scans? How to manage costs?
- Blood Tests - Only directly linked to symptoms?
- Exploratory operations
  - How to distinguish between exploratory and remedial?
  - How to manage transition back to NHS
- Sub limits, overall limits and interaction
- Current offerings and popularity?

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Cancer plans

- Emotive
- How to deal with benign growths or pre-malignancy
- Anti-selectively purchased
- High cost v Critical Illness Cover
- Only one small piece of the health jigsaw

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Cash Plans

- Within affordability range for many more Over 60's than PMI
- Sales levels still resilient and across all socio-groups
- Still 2.6m contributors and 3.8m people covered
- Can be extended to cover new areas, CI, PA etc

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Self Pay

- What role does it have?
- How much of the market may go this route?
- Which type of treatments lend themselves to Self- Pay?
- What is needed to make Self Pay work?
  - Funding mechanisms
  - Treatment sourcing
  - Private Hospital and Consultant cost controls
- Will growth of self-pay be at the expense of PMI?

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Impact of effective Treatment Sourcing

- Differences in price by hospital group, region, time, territory?
- Impact of collective and experienced negotiating powers
- Can true Fixed Cost Surgery be offered (including “complications”)?
- Could treatment sourcing have a bigger role for Indemnity Insurers too? (a variant to restricted hospital lists?)

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“Blue sky” product thinking

- Savings fund with Medical cover, lessons from National Deposit
- Link to credit facility to meet short term need on early claim
- Endorsed by trusted brands (e.g. Age UK)?
- Workable NCD systems (lessons from Motor Insurance)
- Variable co-funding dependent on duration and claims record

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Other product features to enhance appeal

- "Patient advocate" support service for when in hospital
- Post discharge care, the right support if you "know little and need a lot"
- Incorporate LTC type domiciliary and rehabilitation care
- Include a free periodic "health MOT" as purchase incentive
- Over 60's "Health Cash plans plus" covering some common surgical costs

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The sales outlook for Over 60's Medical Covers?

- Commission still available on sales so focus on Medical intermediaries
- Great concerns about "switch" business at these ages
- Decline in banks' interest in selling Protection in general
- Too complicated for Aggregators and "Simple Products"?

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Barriers to growth in Medical Covers for “Over 60’s”?

- Products too expensive and worries about price progression with age
- Medical Insurance being viewed as “for the rich” and as “anti-NHS”
- Poor sales distribution, especially for those that never had PMI
- Products are complex for direct sales routes
- General confusion over what to cover and what represents value

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Overcome sales barriers for Over 60's Medical

- Enhance ease of purchase and remove ambiguity and jargon
- Consider potential new distributors e.g. Chemists, Health Food shops
- Enhance product appeal with non cash benefits e.g. MCD, Red Arc, Grace
- Aim at the 94% who don't buy traditional PMI with targeted offerings
- Provide some guarantees on cost or Index linking of costs
- What else?

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Questions

Comments

Expressions of individual views from the floor are encouraged.

Any views expressed in this presentation are those of the presenters and not necessarily their companies' views.

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