

## HEALTHCARE

# Top-up clarity brings potential

How much the rule changes on top-ups grows the market is down to how much product innovation can be introduced.

**John Greenwood** reports

Health secretary Alan Johnson's decision to allow patients to top-up State care with drugs brought privately has been hailed as opening new potential markets provided insurers can design the right products.

How big that new opportunity is remains the subject of debate, but Johnson's adoption of all 14 of cancer czar Professor Mike Richards' proposals for an overhaul of the rules on top-ups for both cancer and non-cancer drugs not available on the NHS has given much-needed clarity.

Some argue the decision also marks a first indication of a new acceptance at Government level of a partnership approach between state and private healthcare. Others caution that if this indeed is the thin end of the wedge, the efforts that Richards has made to restrict the definition of what is allowed and insulate those taking top-ups from other NHS patients, make it a very thin wedge indeed. Richards has said that top-ups should be allowed provided there is no cost to the NHS in terms of administering the drugs or follow-up care, and on the basis that patients are treated away from NHS wards.

Around 1,000 patients a year are understood to be already topping up their NHS care as certain hospitals have been flexible in letting them around the rules. One of the key benefits of Johnson's response to Richards' proposals is the fact that uncertainty has been removed and the postcode lottery has been stopped.

Mike Izzard, chairman of the Association of Medical Insurance Intermediaries, expects the policy change to prompt at least three providers to target the market. Providers such as WPA who are already active in the



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space, and who have been marketing My Cancer Drugs ahead of the rule change, will see their market grow.

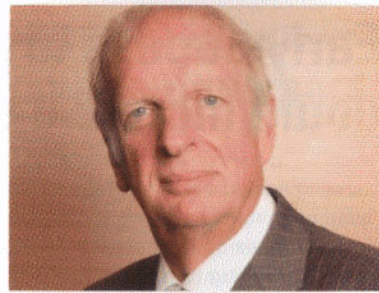
Izzard believes the appetite for top-up products is genuine, which is why he believes there is a real role for insurance to play. "This is a huge peace of mind opportunity. People are currently using very expensive critical illness policies to fund cancer risk. If you compare the cost of this with what top-up insurance would cost, it is clear there is potential for growing the market. This area is a wide-open opportunity for insurers," he says.

Andy Dean, chief executive of HealthFund, is less bullish. "There will be a market there, but if anyone suggests it is going to be huge, they are wrong." Dean argues that few insurers will want to cover the people who will want top-up insurance to cover cancer drugs as they are likely to be the people who want to use it. He points out that WPA's My Cancer Drugs offering is restricted to those under 60, and is not open to those with immediate family who have had cancer.

Izzard disagrees: "There is potentially a very strong market if providers design the right products at the right price. I would like to see more focus on post-event treatment. The WPA product is the benchmark in the market at present, although it is a bit pricey for the risk covered," he says.

Charlie MacEwan, communications director of WPP, says the insurer is in the process of raising the age limit to 65, to bring it in line with the age limit for the rest of its Heath Top Up cover, a change that will take effect soon.

MacEwan believes the more significant issue for the private medical insurance sector is the proposal for the



**Izzard: "This is a huge peace of mind opportunity"**

National Institute for Health and Clinical Excellence (Nice) to raise the Quality-adjusted Life Years (Qaly) level. Currently the Qaly level, which grades drugs in terms of their ability to give an extra year of good quality health, stands at £20,000 rising to £30,000 depending on the circumstances. Nice chairman Sir Michael Rawlins is expected to announce an increase in the Qaly level next year, and sources say a figure as high as £65,000 is being talked about.

MacEwan says: "Currently there are 14 drugs not available on the NHS at today's Qaly level. If the Qaly level is raised to £65,000, there will be only two not available."

This would at a stroke make policies that cover cancer drugs almost redundant over night. While this might seem bad news for WPP's My Cancer Drugs policy, the insurer sees it as a positive step for cash plans. But there is no certainty that the state has the funds to meet such an increase. A decision is expected in January.

MacEwan believes the clarity that has been given to the broader top-up piece should fuel product development and cement the already strong advances that cash plans have made. He does think, however, that they need a rebrand. MacEwan says: "Cash plans are already in the market, but the public don't understand them. We are saying let's evolve cash plans into top-ups." In welcoming the proposals put forward by Richards, the British Medical Association and Bupa both added their voices to calls for a review of the long-term sustainability of NHS funding.

In the meantime, intermediaries are now hoping insurers will bring something innovative to the market.