

Untangling top-ups

The government's rethink on health top-ups has sparked product development activity amongst providers and advisers. But untangling the complexities of the changes could take some time says **Sam Barrett**



The government's announcement that it is to lift the ban on topping up NHS has been warmly received across the health insurance industry. Many think the removal of the rule, which meant anyone who paid for part of their treatment would lose their right to any NHS care, will potentially open up the market to new products as well as increasing demand.

"The announcement goes some way towards addressing the hugely emotive issue of access to drugs," says Stephen Hadrill, director general of the Association of British Insurers. "The insurance industry has a key role to play in helping to ensure that access to the very best healthcare and drugs becomes a realistic choice for most people, not just those who can afford to pay for drugs that can cost many tens of thousands of pounds."

The government's decision to allow patients to top-up their healthcare follows the review by Professor Mike Richards, the national clinical director for cancer, into the subject. Richards' report recommended that top-ups should be allowed, but stipulated a number of conditions. These include the delivery of private drugs separately from the NHS elements of care, for instance in a private ward or hospital; the provision of balanced information on the treatments a patient may be considering paying for; and the clarification of the NHS's policy on how top-ups are administered so there is consistency in practice across the service.

But while the move has been welcomed, it hasn't yet heralded a raft of new top-up style products. Indeed, the one product aimed specifically at this market - WPA's Health Top-Up - was introduced in June, just before Professor Richards was asked to review the

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situation. "We did take a punt," admits Charlie MacEwan, head of communications at WPA. "But the government announcement is really a green light for what we did."

This plan, which is aimed at the individual and corporate market, has a core wellness option covering cash plan style benefits such as optical, dental and physiotherapy as well as four optional add-ons including one for cancer drugs. This covers drugs licensed by the European Medical Agency but not approved by the National Institute for Health and Clinical Excellence (NICE) up to a lifetime total sum assured of £50,000. With the compulsory core element, it costs £19.20 a month.

But, while WPA may be the only insurer to have launched a product specifically for cancer drugs not available through the NHS, this is unlikely to be the case for long. Alastair Sclare, head of Groupama Healthcare, says: "We're maintaining a watching brief.

Anything that increases the freedom of choice around healthcare is a good thing. At the moment it's not clear exactly how top-ups will work, which makes it difficult to launch a product that will give policyholders clarity and enable us to fully understand the level of future claims. However, we will keep monitoring the situation and may seek to move quickly once the detail is announced."

The adviser market has also got wind of product development that will address these changes. "We're in discussions with a number of insurers about possible products that could be developed following the government's announcement," says Iain Laws, commercial director of consultants Enrich. "At the moment the problem is we don't know exactly how top-ups will work. The devil is in the detail."

All will become clearer in the new year though. As it lifted the ban on top-up, the government also launched



Izzard: Price will be attractive to the new market

a consultation on its proposals to ensure the rules would be fair and achievable. This consultation ends in January and it is hoped that the final rules will be announced soon after this.

But, while insurers are loathe to commit to how the rules will shape their product development, speculation is rife about what products will emerge for the top-up market.

Mike Izzard, managing director of Premier Choice Healthcare and chairman of the Association of Medical Insurance Intermediaries, believes price will be particularly attractive, offering the potential to extend cover to a new market. "It's a 'last chance saloon' type plan so the cost will be

much lower than for traditional medical insurance," he says, adding that it could be as little as £10 a month per employee. "Although the money would need to be used for treatment, this would make it more attractive than a critical illness product, especially for large sums assured," he adds.

Additionally, a top-up style product could be offered to organisations that might not traditionally take medical insurance on moral grounds. "It could be very adaptable," adds Izzard. "You could sell it on an affinity group basis or alongside other products such as a cash plan or budget medical insurance."

Certainly, the ability to switch in and out of NHS care could prove a boost for the cash plan and budget medical insurance markets. These plans can be used to cover consultations to enable a fast diagnosis, allowing the policyholder to then access the NHS with a top-up plan giving the security of cover if NHS care falls short.

The ability to seek top-ups could also make other healthcare services more attractive. For example Medical Care Direct has been helping people find the most appropriate private healthcare provider for organisations running medical expenses trusts as well as individuals looking to self-pay.

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Its managing director Malcolm Jones believes the announcement will bring opportunities. "We already have a number of trusts where there is a cap on the amount of treatment they will provide for a condition such as cancer. Offering employees a top-up plan with access to a service to help them spend the money more effectively could be an attractive option," he adds.

The rule change may have other, less beneficial, ramifications too. One of these will be bringing the price of healthcare more sharply into focus. While allowing the public to top-up their healthcare will inevitably mean that more people consider increasing their spend, it may mean the opposite for employers. "It's not a straightforward question of using the NHS or going private," says Nigel Killick, marketing manager at National Deposit. "Now that you can combine the two elements so there could be more reliance on the NHS, employers may expect to see their premiums reduce."

Laws agrees. "If something's free and available on the NHS, why build it into the claims fund? I don't think we'll necessarily see employers replacing their medical insurance with a top-up plan but they will pay more attention to how much cancer cover they have," he says.

But not everyone is convinced that the change will have a major impact on the corporate market. Some insurers believe that employers will remain focussed on using their medical insurance to ensure employees remain healthy and productive. "We're not seeing major customer need for top-up products," says Tal Gilbert, head of research and development at PruHealth. "The focus for employers is to improve the health of their employees and to make sure they are as productive as possible in a very stressful time. This will be the main driver of growth in the corporate market."

But, just who is correct with their predictions for the corporate market is unlikely to be realised until the Spring. Then, with more detail in place and insurers targeting new areas of the market, it will become apparent whether or not there is appetite for a top-up plan in the corporate arena. ■

NHS TOP-UPS Other changes affecting the market

In addition to the government's consultation on how top-ups will operate, a number of other healthcare related reviews and initiatives are taking place that could determine how the rules shape up.

One report that could feed into the new rules is the inquiry launched by the Health Select Committee into topping up. This was announced shortly after the ban was lifted and the deadline for submissions was December 11, 2008. "It's interesting that this is occurring concurrently to the government's own consultation and there's also some

speculation that it's been pressured by MPs who are against top-ups," says Charlie MacEwan, head of communications at WPA. Findings are expected in the new year.

Additionally, Sir Mike Rawlins, chairman of the National Institute for Health and Clinical Excellence (NICE), is currently reviewing the quality adjusted life year (Qaly) levels. This figure, which represents the amount that can be spent by the NHS to extend a person's life by one year, is currently £30,000 but many expect it to be raised. "Depending on who you believe it could be increased to

anything from £50,000 to £100,000," says MacEwan. "But, if it was raised to £65,000, this would mean that of the 14 cancer drugs that are currently licensed by the European Medical Agency, 12 would become available on the NHS."

Faster access is also likely to occur as a result of the implementation of a faster evaluation process at NICE. With this, it is expected that guidance on half of all drugs will be published within six months of licensing by 2009 and, by 2010, this will be extended so that guidance is available for all new cancer drugs within six months.