

## Demand for private medical cover increases as corporates extend schemes

London, 16 January 2017

**Demand for UK private medical cover increased in 2015, reversing a declining trend in recent years. Latest figures from healthcare market intelligence provider LaingBuisson have revealed that the number of private medical cover subscriber policies in the UK grew by 2.1% to reach 4 million, following flat demand from 2012 to 2014 and shrinking demand from 2008 to 2011. Private medical cover includes Private Medical Insurance (PMI) as well as corporate self-insured schemes, known as Healthcare Trusts.**

The findings, published in the new edition of LaingBuisson's in-depth market report, *Health Cover*, offer good news for a sector which has seen the volume of subscriber policies reduce by 8% since the end of 2008. Reflecting the extension of a few very large corporate schemes, growth was driven largely by a solid 8% increase in the number of subscribers to self-insured (Healthcare Trust) schemes, as PMI subscribers moved up by 0.4%.

Company paid subscriber policies accounted for just over three-quarters (76.3%) of total market volume demand, representing 3,070,000 subscribers at the end of 2015 as the number of subscribers (insured and self-insured) increased strongly by 3.4%.

Meanwhile, the number of non-corporate individual subscribers continued to decline, falling by 1.7% to 952,000. This meant overall penetration of the UK population by private medical cover edged up to 10.6% at the end of 2015.

Claims paid to private medical cover subscribers in 2015 were valued at £3.6bn, including £2.9bn paid to insured claimants, and £688m paid to claimants covered by self-insured schemes. Overall claims paid increased by 2.1% over the year, while claims on self-insured policies (Healthcare Trusts) were up by 7% and insurance claims overall were up 1%.

Total spending on UK private medical cover (insured and self-insured Healthcare Trusts) grew by 2.8% in 2015 to reach £4.7bn. Within this, premium income generated from sales of insured policies grew by 2.1%, leading to a rise in insurance gross margins to 26.7% in comparison to 25.9% in 2014.

Nevertheless, volumes are yet to bounce back to pre-2008 levels when subscriber demand stood at 4,350,000 - representing market penetration of 12.4% of the UK population. What is more, the medical cover sector faces further headwinds from recent and forthcoming rises in insurance premium tax (IPT) and uncertainty from the UK's impending exit from the European Union.

Report author, and healthcare economist, Philip Blackburn commenting on the outlook for 2017 said:

*"A sharp increase in IPT from 6% to 9.5% effective from November 2015, and further rise to 10% from November 2016 has loaded significant additional cost for all medical insurance customers. A further hike to 12% in June 2017 will tighten this 'taxation straightjacket', and in an industry where affordability has been identified as the primary reason for a lack of growth in demand, this hefty additional burden is likely to mean demand for PMI is vulnerable going forward, but this may be balanced by a shift to Healthcare Trusts."*

*"Notwithstanding this, there has been a clear rise in interest in private healthcare recently as more and more people are dissatisfied with higher waiting on the NHS and increased restrictions on NHS treatment. Private medical cover will benefit from this, and there is a wide choice of policy options at different prices to attract customers."*

-Ends-

LaingBuisson's *Health Cover – thirteenth edition* is available now priced at £1,405 for Single-user Printed Hard Copy and £3,512. 50 (+vat) for Multi-user Digital PDF + Printed Hard Copy. To find out more visit [www.laingbuisson.com](http://www.laingbuisson.com)

An Executive Summary & Report Highlights document is available to press upon request.

For more information, please contact:

**LaingBuisson**  
Justin Merritt  
**Publishing Director**

+44 (0)20 7841 0049  
[justin.merritt@laingbuisson.com](mailto:justin.merritt@laingbuisson.com)

Philip Blackburn  
**Consultant**

+44 (0)20 7833 9123  
[philip.blackburn@laingbuisson.com](mailto:philip.blackburn@laingbuisson.com)

## Notes to Editors

### Additional Information

To date, there is no clear indication about the scale of the impact of IPT on the market, and much depends on the degree of price elasticity (how changes in price shift demand) across customers, and whether many more customers choose different cover options to circumvent IPT fuelled price increases, such as a larger excess, reduced coverage, or favourable switching terms. Certainly, the choice and flexibility of medical cover offered by insurers has never been greater, and there is the option of self-insurance for corporates, which is IPT exempt. More intelligence on the IPT impact is likely to emerge from the calendar 2016 figures published next year.

In addition, the UK's majority vote for Brexit in June 2016 presents an uncertain economic outlook for the UK in the medium term as the ramifications of exit from the European Union are yet to become clear. Most predictions soon after the vote were of economic 'doom and gloom' going forward as the prospect of many businesses and labour leaving the UK to relocate within the European Union was recognised as a likely scenario. However, several months down the line, the expectation has calmed somewhat as the UK economy has continued to perform well in 2016, and forecasts for 2017 have improved. However, the Brexit impact continues to carry a risk of an 'economic shock'.

<b>Health Cover</b>			
<b>LaingBuisson market breakdown</b>			
	<b>UK Market Value £m</b>	<b>No of Policies (m)</b>	<b>No of People Covered (m)</b>
Private Medical Cover (including PMI and Healthcare Trusts)	4,711	4	6.9
Health Cash Plans	442	2.5	3.5
Dental Benefit Plans	668	-	3.3

Source: LaingBuisson's Health Cover – thirteenth edition, January 2017.

## About LaingBuisson

LaingBuisson, the UK's leading healthcare market intelligence provider, has been serving clients for over 30 years, providing insight, data and analysis on health and social care market structures, policy and strategy. The Company's products and services are based on proprietary primary data and it is the only non-government data source cited by the Office of National Statistics (ONS) for the independent healthcare market.

The Company advises healthcare providers, commissioners, payors, investors and regulators, helping them to understand their markets, access their customers, increase profitability and deliver better quality care through market reports, benchmarking, data sets, consulting, newsletters and conferences.

For more information, please visit the website at [www.laingbuisson.com](http://www.laingbuisson.com).

## About Philip Blackburn

Philip is a trained economist who has worked for LaingBuisson for over 15 years. Within health and care, he specialises in applied economic and business analysis of the private acute hospital market, private medical cover, dentistry, children's services, childcare, and other markets.

He authors LaingBuisson's market reports covering private acute care and the health cover market and offers bespoke consultancy to private and public sector clients. Philip regularly participates in roundtable seminars

and conferences. Philip is constantly looking to map new niche areas within health and care, and to offer new analysis and data where better understanding is needed.

Prior to LaingBuisson, Philip spent several years at the Office for National Statistics, writing its monthly Economic Trends and Regional Trends commentary.