

Private medical cover static in the face of economic and political uncertainty

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The 14th Edition of LaingBuisson's Health Cover market report has been published.

The UK market for private medical cover, worth £4.83 billion, flatlined in 2016 with 4.02 million policies covering 6.89 million lives in 2016, some 10.5% of the population. Defining events for demand during the year were the UK's Brexit decision, which created economic and business uncertainty, and a sharp rise in Insurance Premium Tax (IPT) in November 2015, pushing up cover prices.

This follows a buoyant 2015 when two large corporates extended medical cover to their entire employee population, providing a significant boost, and the first significant growth since years of decline after the recession of the late 2000s.

Looking at sector trends in 2016, there was small (0.6%) growth in corporate medical cover policies, which reached 3.09 million, and covered 5.42 million lives (8.3% of the population). Meanwhile, there was a 2.2% contraction in individual paid policies to 928,000, a similar fall as posted in the previous three years, now covering 1.47 million people (2.2% of the population).

Static demand for private medical cover in 2016 contrasts with buoyant demand for private healthcare from self-payers, as 'pay as you go' spending is currently growing by 10% per annum.

Report author, Philip Blackburn said:

"The uncertain economic landscape triggered by Brexit snuffed out the whiff of optimism from corporate private medical cover growth in 2015, and future significant growth is likely to need a solid upturn in business confidence from corporate Britain. Nevertheless, private medical cover is highly valued by employees, and employers are increasingly committed to workplace benefits and services which support employee health and wellbeing, and quick access to healthcare services, which private cover offers, is the vital cornerstone."

"Despite very high waits for many on the NHS, and a steady increase in average NHS waiting, overall demand for private medical cover from individuals continues to decline. This is largely attributed to the high price of medical cover, and consistent premium increases well above inflation. The challenge insurers' face to turn this around was dealt a heavy blow when HM Treasury doubled Insurance Premium Tax (from 6% to 12% between November 2015 and June 2017), leading to sharp upward pressure on premiums for insurance customers, and a significant tax burden going forward. A slowdown in household spending in 2017 also doesn't help."

LaingBuisson reports a very marginal (0.2%) fall in volume demand for health cash plans during 2016, as cash plans policies reached 2.52 million, covering 3.43 million people, some 5.2% of the UK population.

However, sector trends confirm polar demand behaviour. Employer demand continued to rise very strongly as the number of company paid cash plan policies reached a record 1.01 million at the end of 2016 (up 11.8%), while health cash plans funded by individuals (employee paid and personal paid) continued to shrink, down 6.8% to be 1.51 million.

Blackburn commented:

"As a low cost cover option, health cash plans continue to be very popular with employers, as the number of employer funded policies has almost doubled in the space of five years. This has inevitably crowded out some employee funded cash plan schemes, but a continued drop-off in personal cash plan purchases is a concern"

as new business in this area is hard to stimulate. Again the additional tax burden from Insurance Premium Tax pushes up the price of cover.”

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Notes to Editors

About LaingBuisson

LaingBuisson, the leading health and social care market intelligence provider, has been serving clients for over 30 years, providing insights, data and analysis on market structures, policy and strategy. We are the chosen provider of independent sector healthcare market data to the UK Office for National Statistics (ONS) and work with providers, commissioners, payors, manufacturers, investors, regulators and advisors. We help our clients to understand their markets, make informed decisions and deliver better outcomes through market intelligence, consulting and data solutions.

For more information, please visit our website at www.laingbuisson.com.

About Philip Blackburn

Philip is an 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 Health Cover Market Report, alongside other industry recognised titles. Prior to LaingBuisson, Philip spent several years at the Office for National Statistics, writing its monthly Economic Trends and Regional Trends commentary.

About Health Cover, 14th Edition

LaingBuisson’s Health Cover market report provides a comprehensive review of all aspects of private health cover products, including private medical cover, health cash plans, dental benefit plans, and private primary care (GP) cover. This incisive publication has tracked the ups and downs of this sector, which is so closely associated with access to private healthcare, through the boom of the early 2000s and into the recession of the late 2000s, and steady market in recent years, it looks at the size and segmentation of the market and key trends as well as the impact of political, economic, and social changes. For further details, please visit www.laingbuisson.com