Health cash plans

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The health cash plan market is ripe, many now feel, for something of a revival. There is a widespread and growing view that there is an opportunity to supplement the NHS, £1 a week plans have shown that mass sales can be achieved and health cash plans (HCPs) just somehow feel 'right'. If further proof were needed, it can be argued that the market leader, Simplyhealth, has returned to its roots by selling off its PMI arm and focusing on its wider remit, with its health cash plan business at the core of that.

That would probably be to underestimate what Simplyhealth could achieve in the much wider area of 'health' rather than 'insurance', but you get the point.

As with any overview though, dig a little deeper and there is no shortage of problems waiting to be addressed. One relates to the success story mentioned earlier - £1 a week plans. Even the term makes some wince as, unlike the Poundland concept that has been so successful on the high street, £1 a week is most definitely NOT the premium or contribution level that HCP providers are aiming at. Indeed, trying to make money – or even not to lose money – on such low premiums is taxing many a corporate boffin, and the obvious solution is simply to get customers to pay more, seeing £1 a week as a start and not an end point.

So how do we develop away from £1 a week? I started by asking Raman Sankaran, Simplyhealth's sales director:

> *"Corporate cash plans are increasing in popularity and figures from the* Laing & Buisson Health Cover UK Market Report 2014 *show that corporate paid health cash plans accounted for 28% of the total market demand with 730,000 contributors. This represents year on year growth of 18% compared to 13% in 2013, which shows these plans are meeting a growing client need. Our focus at Simplyhealth is on everyday healthcare, addressing the everyday things that stop our customers from making the most of life. Demand for support with problems like back pain, toothache, eyesight difficulty, mobility and independence have grown enormously and that is where Simplyhealth can help. Our corporate paid cash plan provides benefits that employees will use to meet their everyday health needs and that is proving invaluable.*
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> *When a company introduces cash plans as an employee benefit we support them to develop a comprehensive communications plan and have a national field team of 70 staff on hand to help employees to understand their cover and upgrade. Individuals feel the value of cash plans the more they use them and this is where support from the company is so important. Employees need to be reminded of this benefit and encouraged to use it. We find instances of upgrades are often linked to how frequently companies promote the benefits available to employees. We are also seeing an increase in the number of clients with multiple products due to an increase in healthcare needs at client level and also because we are building stronger relationships with clients in the everyday healthcare space."*

Philip Wood at Health Shield looks to have a good grip on the issues:

"The '£1 a week' off the shelf plans are helping corporates who have not been aware or never considered a health cash plan solution as an affordable entry level budget fit option for their compensation and benefits strategy. We find that once employees start to use the benefits of the product, then the customer can ask for a higher company paid premium or indeed the individual employee has the option to voluntary increase their levels of cover. We also find that a customised and bespoke tailored solution helps match their exact benefit and budget needs, which is a move on from the standard off the shelf concept."

Incidentally, Health Shield is one of the few HCPs to publish its claims data (we really wish all life and health insurers would). In 2014 it paid 97.4% of claims received and 93% were paid within two days. I mention that partly because HCPs' claims record (on claims paid and how quickly as well as how many) is excellent – yet I'm sure many customers and potential customers are simply not aware of that. It's partly why all insurers should publish claims stats – our publics still don't trust insurers on claims and, unless we publish the truth, we can hardly complain if it's the falsehoods that are 'known' can we?

But I digress, so on to Peter Maskell, veteran CEO at BHSF (and I mean veteran as a compliment Peter!) who has long been critical of the industry's over-focus on cheap:

"The industry is not good at getting firms to increase their cover when they start with a base plan. Companies that buy a £1 per week plan tend to think they have done enough and they stick with it. Companies that want to do something more worthwhile for their employees will often recognise the advantage of a better-value plan at the outset.

Giving decent value for £1 a week is becoming increasingly difficult and I think there are signs that the industry is trying to move away from this, particularly on renewal if there has been a bad claims experience."

Westfield Health is the second largest HCP and its sales and marketing director Paul Shires is no fan of cheap for its own sake:

"The £1 a week plan is not sustainable. As the balance of a HCP books shifts from consumer to corporate, the pressure on the insurers' cost base will be difficult to manage. If an employer is investing in a cash plan purely as an employee benefit or salary top up, there is little incentive to invest more than the £1 per week. If the HCP can be designed and promoted as a true health management tool, companies will be encouraged to invest more to get more meaningful outcomes and a return on that investment."

But not everyone agrees. Lee Stanley is Bupa's specialist business development manager, corporate sales, and he is happy to chase the low premium customer:

"The company paid cash plan market is becoming increasingly competitive, which is driving down the cost of the product and this makes it difficult for both brokers and companies to commit to cover in excess of the £1 mark. In some cases, larger companies can benefit from cash plans costing less than £1."

Bupa may be in a different position to many HCPs, given its size (people forget that based on premium income for PMI alone it counts as one of the ten largest general insurers in the UK) so it can perhaps afford to go after business that others might see as loss leading. In this context, think of Bupa as perhaps analogous to a supermarket whereas many health cash plans (mutuals apart from a

handful of general insurers who also offer an HCP as part of a wider portfolio) are more high street department shores, while some are distinctly niche or boutique.

£1 a week plans were a great example of how the wider life and health insurance industry can embrace innovation. The plans themselves are nothing more than a cut down version of standard plans, mainly through reducing benefits pro-rata so it was not the product per se that was innovative. The innovation was simply setting a price point where it almost became daft not to buy one. Employers can meet some of their duties of care (around employee helplines and stress management for example) and provide cash benefits that most employees will see actual financial benefit from at least once a year, all for a lot less than they would spend on a coffee machine. But are we innovative elsewhere? Where would our correspondents like to see the customer proposition going? As befits a good marketing guy, Philip Wood focuses on the customer:

> *"The industry does customise tailored corporate and agency bespoke products and innovate on delivery and service. Digital communications and paperless fulfilment together with online claiming are now starting to come to the fore in service delivery innovation. The customer proposition has to meet the needs of the end user, whilst also satisfying key stakeholders. Flexibility and bespoke products and communications in line with premiums and benefits are now a key driver in delivering future customer propositions. The customer should always have a choice of channels, whether it is email, paper, telephone or website led communications."*

Philip is proud of his organisation's innovations, and rightly so. But this was an area where all my correspondents made strong claims to be innovative. Let's start with Raman Sankaran:

> *"There is evidence of innovation with many providers introducing digital offerings. In January this year we launched our online health portal, myWellbeing, following demand from clients and their employees for health and wellbeing cover and information. myWellbeing provides a convenient way for our customers to manage their health online, giving them access to support services, trusted health information and allowing them to request GP appointments. We also offer online self service and we are currently rolling out online claiming to give our customers the opportunity to manage their plan and claim online.*
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> *We see further innovation in the overall proposition in order to keep up with customers' changing needs in this area. This is not just in terms of the product, but how it is distributed, in partnership with providers of healthcare services and guidance, as well how the products are marketed."*

Lee Stanley is proud of Bupa's claims strategy:

> *"When Bupa introduced the ability for customers to submit claims online last summer it changed the market – ensuring all of our cash plan consumers could submit their claims straight away for all benefits.*
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> *The market is becoming more competitive and we have some ambitious growth plans for the next three years which focus on meeting customer needs and the next generation of cash plan products."*

While Peter Maskell believes BHSF has been the trendsetter:

"I think BHSF (rather than the industry) is fairly innovative. The interesting thing is that BHSF has led the market in innovation and others tend to follow us. For instance, we were first, or very early, putting an EAP and other helplines into our cash plans, then shopping discounts, then a GP helpline, then an interactive Skype GP helpline, then private prescriptions from the helpline. The rest of the market keeps watching what we do and playing catch-up!"

So, no shortage of proud claims from our correspondents! This is interesting, not least because many of my colleagues in the long term end of protection insurance see themselves as the innovators, and tend to dismiss HCPs as being rather stuck in the past. Whenever I hear that argument (and I do, often) I refer them to what HCPs do on claims. An HCP customer can now claim online, have their claim agreed and money in their bank within a week and receive a text message to say the money has been paid. The claim will either be handled automatically or, where there is human involvement, that intervention is often to pay a claim that strictly should not be paid (e.g. paying a claim in full for a good customer who has just exceeded their annual limit). Why? Simply because overpaying on claims benefits customers. It makes them feel special and rewards their good choice in choosing that provider, creates goodwill, helps get advocated business and can be built into the pricing anyway (people buy on claims not on price if we let them). Oh, and it makes your staff feel passionate about what they do and that in turn is evidenced by customers when they contact you.

It's simple win/win and if you think that can't apply in your sector of the protection market, I'd simply ask, how do you know?

So far, our correspondents are painting a fairly optimistic picture. So where do they think HCPs will be in five years time? First Lee Stanley at Bupa:

"We believe company-paid cash plans will continue to thrive as employers increasingly recognise the importance of employee engagement and health and wellbeing in the workplace. We also expect the cash plan industry to go more digital, ensuring customers benefit from quick and easy access whether it's to join or claim."

Raman Sankaran:

"There will be a range of new and innovative solutions that will look and feel quite different that provide much needed cover in the everyday healthcare space, but may not be referred to as cash plans."

Philip Wood is certainly a fan of the evolution we are now witnessing:

"There is increasing awareness and interest in HCP's from the B2B space and HCPs will be a key solution partner, in aligning affordable healthcare delivery, improving health and wellbeing and motivating and engaging the workforce of the future mainly via a platform of bespoke company paid solutions that integrate across compensation and benefits."

Pickup up on Raman's comment about the generic product name, Paul Shires rightly takes me to task when I ask him where cash plans will be in five years' time:

"The term cash plan is somewhat outdated now but it is difficult to change a product category name. Cash benefits remain an important component but the additional services not involving cash are becoming increasingly popular, such as access to GPs, counselling etc.

I believe the providers will continue to innovate, the market will continue to grow and more people than ever before will have some level of health insurance to help bridge the gaps in the NHS."

But Peter Maskell exercises a note of caution:

"I am not sure but I suspect that some of the smaller players are going to find life increasingly difficult as a result of Solvency II and significantly - increasing regulation. I know the sort of costs that we are spending on preparing ourselves for Solvency II and, to some extent, many of these costs have got to be met in full regardless of the size of the business. This must be putting some real pressure on the smaller players which, in any case, may lack sufficient expertise in-house and are therefore having to take expensive advice from professional consultants. How many should be realising that they would serve policyholders better by merging with a bigger and more progressive partner. What about when Solvency III gets here?"

Certainly, Solvency II, along with possible extra regulation (especially that coming across the channel), imposes greater concerns for mutuals (which make up the bulk of the HCP market) than it does for commercial insurers. But the hope (and expectation?) is that the Government will look to ensure that a product/service area that it is hard to see as anything other than a 'good thing' (and I haven't even mentioned the sector's practical support for the NHS or its charity work which puts some parts of the rest of the protection industry to shame) not only survives but thrives. Indeed, one can even argue that strategically and in policy terms, the Government would be mad not to redouble its efforts to help HCPs wherever it can.

Lest my spectacles be accused of being too rose tinted, it is worth noting that there remain big issues - even perhaps storm clouds – ahead. As Philip Wood notes, areas such as an ageing customer base – which might be seen as real problem in many protection spaces – are just part of the scenery of HCPs:

"Most providers allow customers to stay on the books, on the appropriate premium and benefits products, long after retirement. Then the only factor is the affordability of plans as the customer ages. With HCPs, pricing is mostly community rated and not age-banded like PMI premiums."

To conclude this look at the sector, I asked my correspondents for their thoughts on any other aspects of the market they wished to comment on. First, Philip Wood again:

"Price is one of the main drivers of company paid sales, which means that the insurer has to handle acquisition and admin costs with great efficiency. Innovation and service delivery can come with an up-front cost which needs to be met. Intermediaries, employers and providers can work together more pro-actively for a win – win solution for all."

Lee Stanley is certainly optimistic:

"We have seen year on year growth with registrations increasing around 30 per cent in the last two years, which has been driven by our successes in the B2B market. While typically optical and dental have been the most popular benefits claimed for, we've seen a huge increase in our fully rounded product, offering added benefits from the Bupa network including health assessments, chiropody and physiotherapy sessions."

While Peter Maskell points out some of the economic realities too:

> *"We have seen some fairly harsh competition over recent years, particularly with the £1 per week plan, and as I have said above, some providers have seen margins narrowed as a result. Margins are in any case thin on health cash plans and I think there is a realisation that silly competition to gain volume at the expense of margin cannot be sustained for too long."*

A sentiment that Paul Shires also echoes:

> *"There has been a trend in the intermediary space to sell a HCP as cheap as possible to pick up a PMI excess. This is not sustainable. Our direct sales force sell higher premium levels and sell HCPs and HTI to organisations interested in the health and wellbeing of their entire population not just the select few with PMI."*

And let's leave the last word to Raman Sankaran. Simplyhealth's huge 18 month strategic review, which CEO Ramana Abdin put in place when she took up the reins from the highly-regarded Des Benjamin was a genuine attempt to find out what its huge customer base wanted not now (and certainly not in the past) or even tomorrow, but what it would or could want in future. If you want a summary of the opportunity in 112 words (I counted…) you could probably do no better than Raman's final comments to me:

> *"Our strategic review has shown the healthcare landscape is changing dramatically. The NHS is under strain and faces further funding pressures which may result in everyday healthcare services no longer being provided by the NHS in future. Our extensive research among over 5,000 people shows that 72% are concerned about GP services, 65% about access to dental treatment and 64% about mental health treatment provided by the NHS in future. Our review also told us that that 87% would be willing to pay for healthcare now or in the future. Our customers want to be involved in their own healthcare and we are focused on helping them with their everyday health needs."*

Are HCPs simply living in the past? On this and other evidence, I don't think so…