

What lies beneath?

The reorganising of the NHS will open opportunities for private health provision. Richard Walsh highlights likely scenarios

The waiting is now over, but the visible impacts of the spending review on the UK economy are still somewhat in the future. In fact, 2010 may be seen as a somewhat gentle planning prelude to a 2011 economic and business cacophony.

With the significant transformation of the National Health Service now set in motion, private health and health insurance industries, possibly more than most, need to plan ahead as the health service re-organises, and austerity measures begin to take hold of the economy.

These are some of the events which senior private health and protection insurance executives will need to plan for.

KNOCK-ON EFFECTS

Theoretically, the NHS is ring-fenced against deep cuts, but there will be knock-on effects on its resources from cuts in other areas, especially social services. The re-organisation of the health service will also be high risk; waiting times for referrals and operations will increase and the transfer of commissioning power to GP consortia will be inherently unstable. This could significantly increase the number of UK citizens choosing private healthcare and private medical insurance products.

The private health and health insurance industries should both market themselves as a dependable alternative to the NHS and also plan for marked increases in business

volumes, increasing capacity from call centre staff through to front-line service delivery.

Trade unions may try to garner collective support to stop the cuts by widening their dispute with the government, to coalesce public and private sector employees in joint action. This could have a serious impact on the ability of insurance company employees to get to work (in the event of transport system stoppages) and even bring some private hospital employees into supporting external industrial action.

Private health and health insurance companies should be prepared for unionised employees supporting and partaking in industrial action and impacting on their ability to deliver business services, or simply a loss of key staff through disruption to key transport services.

Current estimates of 500,000 public sector job losses, coupled with 500,000 private sector redundancies, could significantly impact on the private health and health insurance sectors. While the details of which private sectors may lose significant numbers of jobs are still uncertain, even if only a small percentage are those receiving group private medical and protection cover from employers, the knock-on effect on group schemes could be significant.

SCENARIO PLANNING

Those private health companies who offer related businesses should also scenario plan for

weakening willingness of the public to spend on discretionary items such as gym membership. Private health and health insurance companies should be scenario planning a potential reduction in customers and the long-term revenue impact this could have.

Welfare reforms – and in particular reductions in eligibility for state disability benefits – will provide an opportunity for protection insurers to market their alternatives to state provision. On the other hand, tax increases and universal benefit decreases will reduce the affordability of protection offerings. Income protection insurers will face a period of huge uncertainty and need to plan their responses. SAMI is currently engaged on a project with four income protection insurers to do just that.

However the political debate pans out, the coalition's actions may not be enough to sustain the public support for cuts, and businesses must plan for the possibility of the UK sailing into the eye of the 'perfect storm' and sinking below a tide of cuts, together with civil unrest and a double-dip recession.

The above are highlights from a recent SAMI Consulting scenario planning think tank focused on the potential impact of the coalition government's upcoming spending review. □

Richard Walsh is director and fellow at SAMI Consulting www.samiconsulting.co.uk

