

Silver Health Insurance & Protection BRIEFING

Demand for company-paid cash plans rises in 2006

Cash plans are becoming an increasingly sought-after employee benefit, a recent report by independent analysts Laing & Buisson suggests.

The 2007 *Health & Care Cover* report shows that there were 231,000 company-paid cash plan contributors in 2006. The report said that in the last two to three years employers' demand has started to pick up again.

It added that the extent of this demand has probably been masked by the fact that Simplyhealth reclassified HSA company-paid data to include only its WorkWell range, excluding HSA's other company-paid and part-paid policies. This means that 2006 data is not comparable to 2005 estimates.

"In reality, demand for company-paid cash plans increased in 2006," said Laing & Buisson.

Company-paid cash plans account for just 8% of total contributors. According to Laing & Buisson, the number of total contributors remained fairly static in 2006 at 2,919,000, down just 0.3%.

This followed a very gradual downward trend that began in 2000.

The report revealed that the volume of demand for cash plans grew steadily between 1995 and 2000, but has failed to grow in the last seven years. Cash plans covered an estimated 4,906,000 people throughout the UK at the start of 2007, or 8.1% of the population.

Laing & Buisson's report also shows that income generated from cash plans grew very marginally in 2006, well below the rate of economy inflation, and decelerating from 2005. Over the past 10 years, cash plan income grew on average by 5.2% per annum. Aggregate cash plan income earned from contributors in the UK reached £465m in 2006 – an increase of only 1% on 2005.

Meanwhile, the average annual gross premium paid per contributor in 2006 was £159, compared to £34 in 1990. There were an estimated 7.15m claims during 2006, with the average benefit per claim worth £46.

Cash plan market, 1996-2006

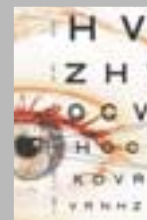
	Contributor numbers 000's	People covered 000's	Contribution income earned £m	Cash benefits paid £m	Persons covered % UK popn
1996	3,082	6,185	282.1	199.6	10.6
1997	3,131	6,285	301.4	214.2	10.8
1998	3,179	6,385	327.0	232.5	10.9
1999	3,222	6,522	338.5	248.4	11.1
2000	3,182	5,950	362.5	265.2	10.1
2001	3,158	5,920	388.6	283.3	10.0
2002	3,127	5,336	395.5	289.3	9.0
2003	3,026*	4,925*	430.8	307.7	8.3
2004	2,985*	5,049	444.8	319.7	8.4
2005	2,927	4,919	460.8	319.0	8.2
2006	2,919	4,906	465.4	329.1	8.1

* Decrease in contributors and people covered is an artefact of the removal of dual registration (corporate) policies by HSA in 2003. This continued to deflate contributors in 2004.

Source: Laing & Buisson "Health & Care Cover 2007"

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TIMELINE

The history of cash plans

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Cash plans target health and wellbeing needs

Cash plans have traditionally focused on dental and optical benefits. But many providers are now looking towards physiotherapy as a way of attracting a wider audience

An increasing number of cash plan providers are taking advantage of the increased focus on health and wellbeing by tailoring their products to meet this need. In particular, many cash plans now include a physiotherapy benefit, which is very popular among young people involved in sport and companies that want to appeal to a wider audience.

Philip Wood, marketing director at Health Shield, says: "The focus on physiotherapy is a fairly recent development and not every cash plan provides an extensive range of benefits. Those that do enable someone who feels a twinge after playing sport to get treatment before it turns into a full-blown torn hamstring."

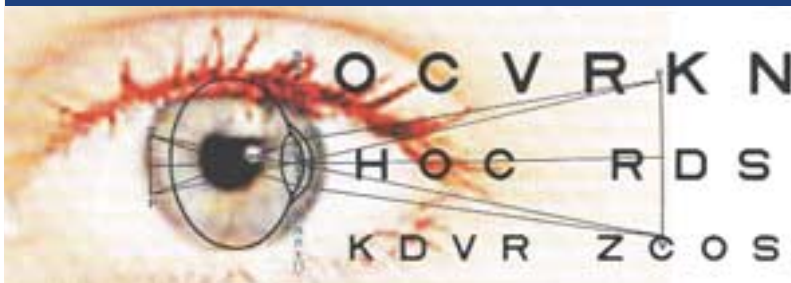
Getting access to physiotherapy is particularly important for people who experience back pain. According to the

Chartered Society of Physiotherapy, 41% of people have experienced back pain in the last two years. It says early intervention by a physio reduces the likelihood of back pain becoming a chronic problem, but that 32% of people have to wait two to six months to see a physio.

Back pain is one of the common reasons for chronic disability and incapacity for work in the western world. In the UK, up to 5m working days are lost each year and up to half a million people receive a long-term state incapacity benefit because of back pain. Employers therefore increasingly understand how cash plans can help in getting people back to work quickly.

Similarly, a lot of employers are also opting to provide staff with complementary therapies through their cash plans. Wood says this is mainly because of the increased focus on mitigating stress in the workplace.

The cost of a sight test in England & Wales



An NHS sight test is free, but to qualify the individual must be in one of the following categories:

- Under age 16
- Under age 19 and in full-time education
- Age 60 or over
- Registered blind or partially sighted
- Diagnosed with diabetes or glaucoma
- Receiving income support or a tax credit
- On a low income

Prices among private opticians include:

- Specsavers: £21
- Dolland and Aitchison: £27.50
- Boots: £20
- Vision Express: £20

Source: Department of Health, Whatprice

Health Shield has removed its exclusion on pre-existing conditions for its complementary therapies so that someone with asthma, for example, can take advantage of the benefit.

“ There is a certain socio-economic group which doesn't have the money to spend on eye tests. The fact that they can get money back through a cash plan reassures them ”

Optical

But a key driver for people taking out cash plans, and one of the highest claims areas, is still the fact that they can save money on a raft of optical-related matters.

“People pay around £20 for an eye test even before they get a pair of glasses and many want to get designer frames,” explains Wood. “When they are looking at a pair of glasses that costs over £200 they want to get some money back.”

Cash plans have an important role in ensuring people monitor their wellbeing, as the health of the eye is linked to conditions such as diabetes and glaucoma.

“A qualified optician can see someone's general state of health,” says Wood. “When they reach a certain age people like to get a second opinion, particularly when type 2 diabetes is on the rise, and they can get this without needing a full health screen.”

He claims that people who have a cash plan are more likely to go for regular eye tests than those who do not.

“There is a certain socio-economic group which doesn't have the money to spend on eye tests,” says Wood. “The fact that they can get money back through a cash plan reassures them.”

Recent research by Specsavers and Diabetes UK found that 26% of young people with diabetes have not been screened for retinopathy in the last 12 months, even though this is the biggest

cause of blindness in the UK's working-age population. People with diabetes are 20 times more at risk of going blind than someone without the condition and up to 40% of the 2.2m people in the UK with diabetes have varying degrees of retinopathy. Treatment can prevent blindness in 90% of those at risk if it is detected early enough and applied adequately.

Dental

Dental benefits continue to be a popular feature of cash plans, particularly given the fact that many people are resorting to private treatment. A recent report into the state of dentistry by the Commission for Patient and Public Involvement in Health (CPPIH) found that 19% of the 5,000 people surveyed had refused dental treatment because of high cost. This figure increased to 20% when the responses from just NHS patients were analysed.

A separate survey of 1,065 people by cash plan provider HSA in 2007 found that 20% of people are not registered with a dentist. When asked about the impact of the new NHS dental contracts, 37% said it had resulted in dentistry being more expensive and only 7% said it had become more affordable.

Providers believe cash plans are becoming more important, as the vast majority include a dental benefit which pays out a cash sum following a visit to the dentist up to a specified limit. This is particularly valuable for those patients who have had to resort to private treatment.

The CPPIH report found that a quarter of patients used private dentistry and, of those, more than three-quarters said they were forced into it because their own dentist went private or they could not find an NHS dentist. Only 15% said they had gone private to get better care.

Similarly, the HSA survey found that 20% of respondents were visiting a private dentist or were on a private scheme. Almost half (47%) of people turning to private care cited “my dentist turned private and I didn't want to leave” as the reason for doing so. A further 22% said they turned to private dentistry because they were unable to find a dentist in their area.

Hospital benefits

The cost of a hospital stay is also a factor that continues to attract people to cash plans. Even if someone has treatment on the NHS, they could end up

The importance of physiotherapy



- When people with back pain sought advice from their GP, 69% were prescribed painkillers and only one third (31%) were referred for physiotherapy.
- Only 3% were given advice on exercise and 10% were advised to rest.
- 32% of people with back pain had to wait two to six months to see a physiotherapist, with 4% waiting more than six months.
- 73% of those people who waited more than two months for physiotherapy treatment still have back ache/pain.

Source: Chartered Society of Physiotherapy

spending a significant amount of money during their hospital stay.

“When people go to hospital there might be little things, such as parking, which cost them money,” says Wood. “The cost of toiletries and of people visiting them is all extra money which the average worker might not be able to afford.”

Figures released under the Freedom of Information Act revealed that patients and their families paid hospital parking charges in England totalling £95m in 2005/06. Twelve hospital trusts each raised more than £1m in charges. ⑤

Simplicity and flexibility key to success as advisers grasp potential of cash plans

Healthcare cash plans are a hugely popular benefit for companies of all types and sizes and intermediaries that fail to grasp their potential risk losing clients to competitors.

At a roundtable debate hosted by *Health Insurance* for this Silver Briefing, participants agreed that while millions of UK workers enjoy the benefits cash plans have to offer – especially their core ones of refunds for dental, optical and physiotherapy costs – there remains huge potential for the market to grow.

Philip Wood, marketing director of Health Shield Friendly Society, a cash plan provider, said that specialist healthcare intermediaries are to be congratulated for spreading the message about the health insurance industry's "best kept secret" – and for encouraging more employers to pay for the benefit themselves.

He said: "In my experience, the market has changed quite dramatically in the past five years. Particularly in the last two or three years, broker awareness of healthcare cash plans has increased."

That broker awareness means that more employers are paying for cash plans for their employees – rather than offering the traditional "voluntary" option whereby workers pay for the benefit themselves.

"The business we are writing which used to be voluntary business is now predominantly from corporate-paid groups and they range in size from 5,000 employees all the way down to 20 to 50 SME groups," Wood said. "Five years ago we had virtually no corporate business on a company-paid basis. We were 99% voluntary. Now we have over 25,000 company-paid members."

However, that shift has meant that communication is now more important than ever to the continued success of the cash plan market. Even companies who have a cash plan scheme in place need to ensure that their employees are actively using the benefit on a regular basis if they are to get maximum value of it, according to Sue Baker, senior consultant with specialist intermediary ADVO Group. Ensuring that cash plan benefits remain simple and easy to understand should go some way towards that, she claimed.

"The more complex a cash plan is, the less likely people are to use it," Baker said. "I have approached clients with a cash plan and the HR manager has simply said it is just too complex, they do not understand it."

But Tom McGuinness, commercial director of Premier Choice Group, an independent intermediary, said: "The most important thing is the flexibility of the cash plan. We have got to remember that every client is different. So if they just want the standard, traditional cash plan it is there – but if they want more flexibility, we can provide that too."

Likewise, Health Shield's Wood said: "As cash plan providers, we can cater for everybody, whether their demands are price driven or benefits driven. Health Shield can cater for both simple cash plans and cash plans including all the bells and whistles."

However, in spite of the inherent simplicity and flexibility of cash plans, some intermediaries – especially general insurance brokers – continue to shy away from the product. Some brokers believe that they will struggle to secure good financial returns from selling the product, according to Guy Jones, managing director of Berwick Devoil Healthcare, another specialist intermediary. They are mistaken, he suggested.

"Cash plans are a low value product and the acquisition cost is high," Jones said. "It's a big decision for an intermediary to say to a sales consultant that he or she

must sell cash plans as part of their portfolio. You hang on to your clients, the more products you have with them, yes, but not at the expense of all else."

David Wilson, intermediary manager of cash plan provider HealthSure, agreed that intermediaries that fail to offer the product as part of their portfolio risk losing clients to other, more switched-on advisers.

"I accept the fact that cash plans will not be core to even the medical intermediary's business," Wilson said. "But it is an important component and one that is ignored at the intermediary's peril. By working in the right way with an intermediary, you can reduce some of the cost of acquisition, by helping with the communication, for example. An intermediary can use our expertise so we can help to minimise the cost of acquisition."

And Health Shield's Wood said that by targeting larger corporates as well as smaller companies, brokers could enjoy significant rewards.

"There is a lot of SME business out there and everybody is happy to write that business. But there's also big business out there, with five, six, 10 thousand staff, who want quotes for company paid schemes and here we are looking at anything from a quarter of a million to half a million pounds of cash plan premium. That is a good new business premium for any IFA to gain, on both a new business and renewal basis." 



Health Insurance editor David Sawers (centre right) hears specialist intermediaries and providers outline the potential that cash plans have to offer

Silver BRIEFING ROUNDTABLE

Cash plans



Health Insurance asked leading providers and healthcare intermediaries to highlight the latest developments in the cash plan market and to dispel some of the misconceptions about this hugely popular product

David Sawers (DS): Most estimates suggest that the cash plan market may well have reached a plateau and that further market penetration might be difficult to achieve. Is that a fair analysis?

David Wilson (DW): The market's fairly steady, overall. Where we have seen major changes within the market is the level of corporate-paid business.

Philip Wood (PW): The reports are suggesting that the market is steady and some have even suggested that in the last few years it has decreased in size. However, in my experience, the market has

changed quite dramatically in the past five years. Particularly in the last two or three years, broker awareness of healthcare cash plans has increased. The business we are writing which used to be voluntary business is now predominantly from corporate-paid groups and they range in size from 5,000 employees all the way down to 20 to 50 SME groups. So we are in a good position as Health Shield's membership figures have increased year on year for the last three years.

DW: Overall the bigger players have experienced the same thing, because they are focusing more on particular distribution channels, particularly intermediaries. All of the cash plan brands

under the Simplyhealth Group – HealthSure, HSA and LHF – have seen a move away from the traditional voluntary type of business to the corporate-paid market.

Tom McGuinness (TM): Cash plans are being much more driven in through intermediaries rather than the direct approach. Companies now realise and appreciate that cash plans do actually fit in as an employee benefit. The best thing that has happened to the market is it is becoming much more a corporate type of product.

PW: Five years ago we had virtually no corporate business on a company-paid basis. We were 99% voluntary. Now we have over 25,000 company-paid members.

Guy Jones (GJ): I am surprised to hear that the numbers are quite static. I would have thought over the past five years that the numbers would have soared, simply because of the awareness the broker market now has, if nothing else.

TM: We are finding that with the bigger organisations that we're taking on board, the most important part of the process isn't the signing them up and getting them on board, it is the after sales process. It is going in and doing presentations, it is about telling employees about the benefits they have.

“The new corporate cash plans are becoming so much simpler and you cannot fail to bring to clients' attention their five simple benefits”

Guy Jones
Berwick Devoil Healthcare Ltd



DW: You can have the best cash plan product – or indeed the best insurance or employee benefit product – but if the communication around that is not right or is non-existent, then it will fall flat on its face. Of course, the HR director and the adviser set out to provide relevant benefits, but they will fail if those benefits are not communicated in the right way. As providers I think we have got to stick to traditional values, but offer better worksite marketing resources. If you put in a range of benefits, you should encourage people to claim and to use them, but you have to communicate that in the right way. Otherwise we'll end up in the situation where we have a nice growing group of corporate business but the people that it is designed for are not in fact benefiting from it, because the communication is not there.

Sue Baker (SB): The more complex a cash plan is, the less likely people are to use it. I have approached clients with a cash plan and the HR manager has simply said it is just too complex, they do not understand it. There are too many benefits, they do not know what they can claim for with different percentages payable for each benefit. Keeping it simple makes it easier.

GJ: The new corporate cash plans are becoming so much simpler and you cannot fail to bring to clients' attention their five simple benefits. It doesn't get any easier than that.

SB: If you just look at an employer's duty of care, cash plans can offer employee assistance programmes (EAPs), optical benefits – and that just encapsulates it.

DW: And those are the things that have driven the growth through the intermediary and the corporate channel. It is that simplicity. In the corporate market, for the employees it is “eyes and teeth” and for the employer it is duty of care and all the things that go around that, as well as some potential cost savings. It is still important to communicate it in the right way and that is where we do need the people on the ground to support the intermediary – and the employer – getting that message out.

PW: I agree, cash plans are there to be used for everyday healthcare costs and the main reasons why people buy the product is for dental and optical benefits. More and more employers are interested in a more proactive approach to employee benefits. Employers don't want their staff to be ill and that's obviously when they mainly use private medical insurance (PMI). Employers don't want people to be off long-term or having to have operations, but that is what the PMI product is there for, to step in when the NHS cannot help quickly. The two product areas should never be confused. For example, I would never recommend any employer cancelling a company PMI scheme to put in a company-paid cash plan. PMI is a brilliant product but it is a completely different product to the cash plan. Cash plans can work standalone or as a complementary aspect to PMI and other employee benefits.

TM: In our organisation we set up self-insured trusts for employers. We will only put in place formalisations of a certain size of self-insured trusts where they have a cash plan in place as well. Obviously that can keep claims away from the trust. When you look at it, ours is still very much a blurred industry. There are a lot of companies who have a cash plan in place but who think it's PMI.

DW: That goes back to communication and education. Providers have got to take a lead and work with intermediaries on that. I've often had a situation where we have tendered for business and even sometimes the intermediary has made the assumption that we are a PMI provider. Perhaps that doesn't happen with specialist intermediaries, but it does with general insurance brokers. The point is that as a group, we get lots of enquiries from intermediaries like that, who are not specialist medical insurance intermediaries, and they are basically talking to their clients about commercial risks, financial advice, and the lines get blurred. So it is up to us to have clear, simple, specific messages about the product and the service that we offer.

TM: One message we could get out there – and you can speak to a head of personnel, a finance director, or the head of the company themselves – is that there is only one product that we believe will help you with staff retention, and be worth the actual premium that you’re paying out, and that is a cash plan.

GJ: It’s a benefit they can actually use. They can use it to take their kids to the dentist or have their eyes tested. They can actually use it.

DW: They can, and it’s relevant and modern. When we are putting product propositions out there, we have to make sure that the product does what it says on the tin. In fact, in our marketing literature it says, in effect: “This is not PMI, but this is what it does do.”

DS: Are cash plans becoming more attractive to a different type of employer?

DW: Speaking from the Simplyhealth perspective, we have certainly been able to expand out from the traditional parts of the market. We are reaching into areas where financiers, solicitors, accountants and web designers operate in. And that’s because cash plans are a benefit that younger people can use, in fact that everyone can use more often, not just when something bad happens. People think: “I can use this for my designer glasses.” People know that there is no free lunch for dentistry anymore. It all costs money.

SB: I used to see an awful lot of companies where only directors and senior staff had PMI, but I have seen that changing recently. Companies, which perhaps have only just introduced a pension plan, are saying that they want to know how to increase their employee benefits. Sometimes they need a lower level benefit and cash plans seem to fit the bill. But I am amazed at how many of them do not even know about cash plans until I tell them about them.

PW: They are becoming attractive to all employers. Cash plan awareness is still set for growth in both the company buyers and intermediary markets. Although intermediaries might like to know everything about every possible type of product, they mainly prefer to specialise in a certain type of product. For example, intermediaries may specialise in individual or group PMI. There are still not enough intermediaries that actually fully appreciate and understand the role a cash plan can play as part of employee benefits. So, if the person who could recommend the cash plan does not fully appreciate what the product can offer, then that is why the market might have a problem. Ultimately it is up to the cash plan providers themselves to communicate and educate the market.

DW: What we should be about is education, all the way from the adviser through the corporate to the employee, because cash plans are the best kept secret. Yes, we all operate in our comfort zones – whether we might think we don’t, we do. We all operate in our comfort zones. I have had many conversations with general insurance brokers about cash plans, and they have said, “Oh no, I have nothing to do with that, that’s PMI” and it doesn’t appear on their fact find. In the long-term that can cause problems to the intermediary, because if they are not up-to-date with what is going on, and the developments in the marketplace, then somebody else will be.

PW: From my experience, you can get that sort of reaction from some brokers and decision-makers, who can all too easily dismiss the cash plan concept. Also, some still think that cash plans are just like PMI, albeit in a diluted form. They also think that PMI is a complicated product and so cash plans must be, too. Awareness and understanding is getting better. Cash plans are not complicated and can be easily communicated to the buyer and end-user. Schemes that offer 100% refunds across their range of benefits like Health Shield are easier to explain and communicate.



DS: Is it fair to say, though, that some brokers think there just isn’t enough in it for them?

GJ: Cash plans are a low value product and the acquisition cost is high, yes. A few years ago I had a sales consultant working for me who really had bought into cash plans big time. He was selling cash plans above all else until I explained to him that he would actually have to get somewhere in the region of 70,000 lives just to hit his target. It’s a big decision for an intermediary to say to a sales consultant that he or she must sell cash plans as part of their portfolio. You hang onto your clients, the more products you have with them, yes, but not at the expense of all else. It is getting the portfolio right, and getting the knowledge base of the consultants up so they really understand the portfolio.

DW: I accept the fact that cash plans will not be core to even the medical intermediary’s business. But it is an important component and one that is ignored at the intermediary’s peril. I could go through examples of where an intermediary has written cash plan business and that decision has resulted in another intermediary losing that client – simply because they were not having the cash plan conversation with them.

GJ: But it is another training product to put into the portfolio. Look at how many general insurance brokers even bother to talk about PMI, let alone about cash plans. For them, trying to sell a cash plan to a company with five or 10 people is difficult. On the other hand, for some clients it is the best thing since sliced bread. I have one client who is telling all his

contacts that they should have a cash plan. He is giving our number out and we have actually got more business from him, as a referral person, than anybody else because it suddenly dawned on him that cash plans make sense. They really are good value for money.

DW: They do make sense and the cost of acquisition argument is very important to an intermediary, I would agree. Brokers are commercially minded, of course. Ultimately, cash plan premiums are a lot thinner, so any commissions that result are a lot lower. This is where providers, if they are smart about it, need to work in the right way with intermediaries. By working in the right way with an intermediary, you can reduce some of the cost of acquisition, by helping with the communication, for example. An intermediary can use our expertise so we can help to minimise the cost of acquisition.

TM: We have used provider support like that and it has worked very well.

“Once you have got a cash plan in place clients see exactly what they are getting for their money”

Tom McGuinness
Premier Choice Group



PW: Health Shield does work with the broker, especially on the worksite marketing side, and they can offer the product as a complementary addition to a company's employee benefits package. Not only that, but in my experience, retention rates for renewal of company-paid business through brokers is very strong indeed, so renewal commission also plays a part here in helping with business costs. There is a lot of SME business out there and everybody is happy to write that business. But there's also big business out there, with five, six, 10 thousand staff, who want quotes for company-paid schemes and here we are looking at anything from a quarter of a million to half a million pounds of cash plan premium. That is a good new business premium for any IFA to gain, on both a new business and renewal basis.

DS: What other selling points are there?

GJ: For one, you cannot really sell an EAP to a small company. But you can sell them a cash plan with an EAP in there, and they think they have struck gold.

DW: Market conditions are favourable. We have got ongoing reforms in dental care and chances are we may have to pay money to GPs in the not-to-distant future. Things like that were completely untouchable a few years ago, but doctors are discussing it quite openly now. In addition, open a newspaper or a magazine and there is always something about healthy lifestyles and healthy living. We have got to capitalise on that and wrap them up in the communication in the right way.

SB: Often companies have got PMI for senior people but maybe they've got 30 or 40 staff and they want to give employees other benefits. You can talk about income protection (IP) and critical illness (CI) but sometime they don't really tick the right boxes – and often they are too expensive. But cash plans can be an interesting door opener, especially if a client has little understanding of benefits.

PW: Look at the way the market has changed from voluntary paid to company-paid due to the way the cash plan product has evolved and been enhanced. For years and years we have had a very high voluntary take-up with some clients. In our largest voluntary group, 30% of 12,000 staff pay for the cash plan product themselves. New HR management may join the company and might not know anything about cash plans. They might not know the history of the existing product and understand that it has been bought by the shop floor workers themselves. Sometimes it is a shock for them to find out the actual numbers for voluntary scheme take-up from their employees. There is still that little bit of a gap between knowledge awareness of cash plans from the shop floor through to the boardroom. This gap is closing.

TM: It's quite straightforward though. How many companies out there have VDU operators that they pay for eye tests for? Every one of those companies should have a cash plan. The cash plan is the only policy that has a guarantee in there. With PMI or CI there is no guarantee that in a 12 month period someone will make a claim on it. But if you have got 10 members of staff at least five of them should be getting their eyes tested this year. It is the only policy you can say to a client: “These people are actually claiming some money back on it.” With cash plans, you don't get into the situation where you have to explain increases in medical inflation. Once you have got a cash plan in place clients see exactly what they are getting for their money.

GJ: But cash plans aren't sexy so they're not being pushed all the time – they don't get the press coverage.

TM: How many large intermediaries have people who specialise in individual PMI or individual IP? None of these organisations ever has somebody who specialises in the corporate cash plans and perhaps they should.

DW: Some do – but only to an extent. When you're in that large employee benefit environment where do cash plans sit? Do they sit with risk, do they sit with broking? Who actually looks after them? I suppose that's where providers have actually got to tailor their marketing for these individual segments of the market.

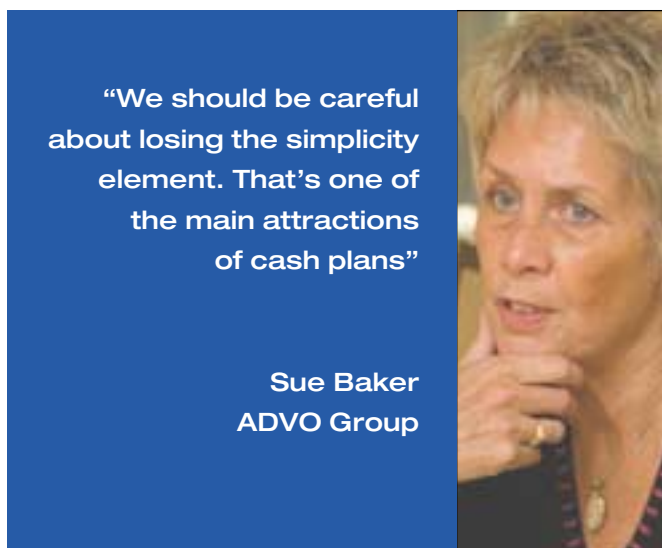
TM: Rather than just trying to take business away from the competition, we are looking to attract a new, captive audience. Rather than going out there and just getting people to make appointments with people who have never heard of us, never met us, we are revisiting clients who we already have. They have placed their group risk business with us and so we're going back and talking to them about cash plans too. That way, you've got a captive audience. That's why we are revisiting our existing client base.

SB: We have consultants who are mostly looking after new clients and then other consultants who look after existing clients. It seems to concentrate the mind not just on renewing the PMI, but on looking at other benefits.

DS: Where does the whole health and wellness agenda fit in around cash plans?

PW: We continually review all our schemes – both company-paid and voluntary business. From January, we will be offering a new specific health and wellbeing benefit. We'll offer an additional pot of benefits, on top of our traditional physiotherapy, chiropractic and osteopathy benefits, for members to use to pay for "proactive" health and wellbeing. We've also removed the exclusion on pre-existing conditions for this new benefit, so that members with asthma, for example, will be able to claim refunds for smoking cessation by using a complementary therapist. The health and wellbeing benefit will include cover for complementary therapies, allergy testing, stress relief and stop smoking. For example, we will refund stress relief activities such as Indian head massage or chair massage. We will also cover nutritional therapy costs for weight management.

DW: HealthSure, as part of the Simplyhealth Group, has access to Your Health Screening, an occupational health company, so we are able to offer such benefits quite easily. But part of the challenge is to join these benefits up in the right way. That means developing products that encapsulate all health and wellbeing as well as the traditional cash plan benefits, perhaps by taking a modular approach.



“We should be careful about losing the simplicity element. That’s one of the main attractions of cash plans”

**Sue Baker
ADVO Group**

SB: I am a little bit unsure about adding all these health and wellbeing benefits to cash plans – we should be careful about losing the simplicity element. That's one of the main attractions of cash plans.


TM: I agree, but I think the most important thing is the flexibility of the cash plan. We have got to remember that every client is different. So if they just want the standard, traditional cash plan it is there – but if they want more flexibility, we can provide that too.

GJ: We need to be careful with the cash plan element because there are lots of different taxable liabilities across the benefit. So to have it on a bespoke basis raises all these extra issues that, as a broker, you need to be aware of.

DW: What about the sustainability element? It is absolutely key because we live in a regulated world and the sustainability message is something that really has to come over in a forceful way. We cannot have flexibility at the expense of sustainability. This is a traditional industry that has got more modern and a bit slicker in its messages. We have got to stay grounded in that respect – although at the same time, the two key words have always been “relevant” and “modern”. We want people to have benefits that are relevant to them. A few years ago, things like acupuncture and chiropody were considered a bit “out there” and a bit “alternative” – but they are virtually at the mainstream now.

SB: I like simple cash plans – ones that do what they “say on the tin”. The ones that just cover physiotherapy, outpatient consultants, dental, optical and MRI/CT benefits.

DW: But it is important not to lose sight of the end user, of that employee who should have the option to upgrade or increase the level of cover on a voluntary basis. We need to keep some flexibility on that.

PW: In our experience, employers are happy to re-introduce benefits that they do not pay for on the company-paid cover – to give employees that choice. The great thing is we, as cash plan providers, can cater for everybody, whether their demands are price driven or benefits driven. Health Shield can cater for both simple cash plans and cash plans including all the bells and whistles. 



“The great thing is we, as cash plan providers, can cater for everybody, whether their demands are price driven or benefits driven”

**Philip Wood, Health Shield
Friendly Society Ltd**

BIOGRAPHIES

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Sue Baker, senior consultant, ADVO Group

Sue, who has over 20 years' experience in sales and marketing, joined the ADVO Group in 2003. Previous employment included working with HR managers on aspects of occupational health and staff retention. Sue advises clients on group healthcare and risk management and was recently highly commended in the "Best Use of Cash Plans" category at the 2007 *Health Insurance Awards*. She believes that "the attention to personal service from all members of the ADVO staff is the solution to the long-term retention of clients and has helped her to build her own client base".



Guy Jones, managing director, Berwick Devoil Healthcare Ltd

With almost 20 years' experience in the healthcare industry, Guy started as a sales consultant for (AXA) PPP in the late 1980s working with large corporate groups in the South East dealing with large oil companies and international banks. In 1994 he moved to PPP International with responsibility for North America and Europe and from there moved to the Channel Islands to set up a specialist health insurance company for one of the largest Channel Island-based brokers. Moving back to the UK in 2002 with BDHL, based in Kent, Guy's experience with local and international healthcare and protection has helped the company grow significantly with clients all over the world and "just down the road".



Tom McGuinness, commercial director, Premier Choice Group

Tom has been involved in the healthcare industry for 12 years, having worked in the direct market with Royal & Sun Alliance Healthcare and Assistance, before joining the Premier Choice Group five years ago. He originally joined the group as the Northern regional sales manager, and it was during his time in this role that he forged some very strong relationships with both northern and national organisations, helping Premier Choice to become one of the largest independent healthcare intermediaries in the UK. In early 2007 Tom was handed the role of commercial director within the group and in this role he has been instrumental in the continued substantial growth of the Premier Choice Group as well as continuing to handle his own portfolio of clients.



David Wilson, intermediary manager, HealthSure

David joined HealthSure in 2000 to set up and develop the intermediary business. His key responsibilities include building strong relationships with key broker clients and providing strategic direction for the intermediary channel. Over the past seven years under his direction, HealthSure has built up an expansive national client base. To support this growth, he has developed the intermediary section of the business to include field-based intermediary consultants and a dedicated office-based support team. David has worked within the insurance industry since the 1980s initially with Royal Insurance and then Standard Life, until becoming an IFA in the early 1990s. He went on to join BMW corporate sales with Land Rover in the mid-1990s before taking on his current role at HealthSure.

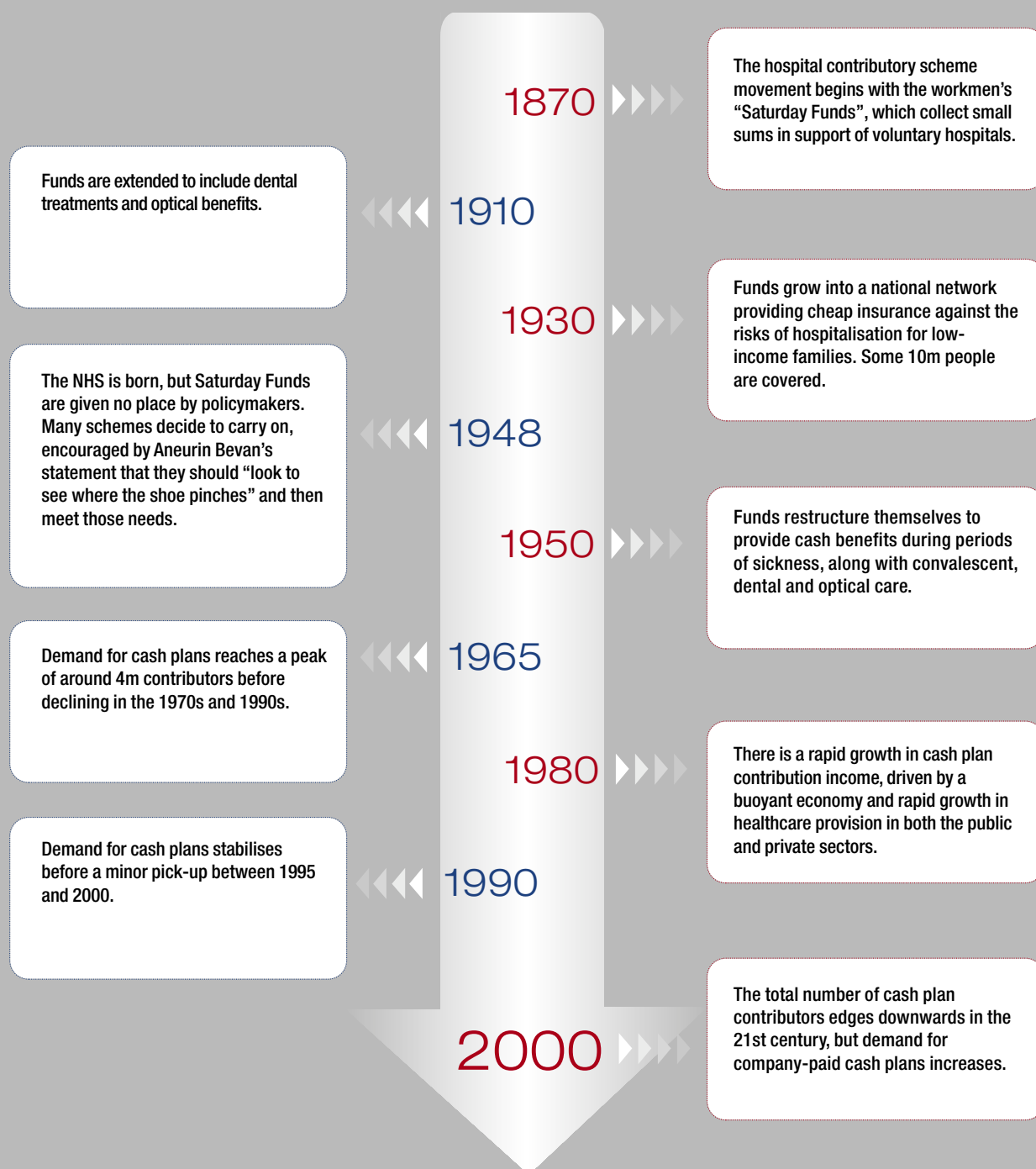


Philip Wood, marketing director, Health Shield Friendly Society Ltd

Philip joined Health Shield in 1990 and has worked in a variety of customer facing roles. He is an executive director of Health Shield's board of management and leads the sales and marketing strategy. Philip is committed to helping develop further membership service and product improvements. He has a wide range of experience in the friendly society, healthcare and health cash plan market with a particular focus on customer needs from both membership and corporate business perspectives. With the help of "a great team" at Health Shield, the company-paid tailored scheme solution has played a significant role in increasing new business volumes during the last three years. "There is considerable interest from intermediaries as Health Shield continues to gain market presence and the team are excited at the future possibilities of working more closely with the intermediary sector to fulfil their clients' needs," he says.

The history

of health cash plans



Concluding words



Philip Wood, marketing director, Health Shield Friendly Society

It was great to hear those intermediaries present at the Silver Briefing sharing the same enthusiasm that the providers have for their

products, and that I have for Health Shield. I believe that the future is extremely bright for cash plans as there are many more opportunities for both product development and customer service innovation.

The real beauty of a cash plan is its lack of complexity. The product is relatively simple to understand, easy to join with no medical examination requirement and more importantly, easy to claim. Qualifying periods and underwriting restrictions are also being simplified with clearer terms and conditions for all members.

In my experience, demand from company-paid groups and, to a lesser extent, flexible benefits schemes are increasing. More intermediaries and business decision-makers are becoming aware of the complementary part that cash plans can play in employee benefits programmes. Healthcare, absence management, duty of care for eyesight and

stress, being a caring employer and health and wellbeing can all be assisted through a voluntary or company-paid cash plan.

I feel that cash plans do not encroach on areas catered for by private medical insurance as dental and optical benefits are the key reasons for buying the product. Specialist consultation benefits offered by cash plans can help cover excesses on PMI policies, and they are complementary products that do not directly compete. PMI is a valuable but very different product and although cash plans and PMI schemes can sit comfortably together, they should not be confused by the consumer. Choice is the key factor here.

Health cash plan providers are innovating and product development is moving towards helping with overall health and wellbeing. Wellness extends to dentistry; eyesight tests (glaucoma and diabetes); physiotherapy and complementary therapies; stop smoking (hypnotherapy); nutritional therapy; and allergy testing. Cash plans that also provide health screening and fitness benefits are also pro-active as part of the overall health and wellbeing package.

Lifestyle choices are also an increasingly important part of the cash plan product. Employees are individual consumers and ultimately it is their choice how and when

they use the cash plan in line with their lifestyle – for example, if they want to gain reduced corporate rates at a gym, Health Shield can help. More and more people are waking up to the idea that cash plans really can and do help, and not just with everyday healthcare bills for dental and optical treatments.

Stress relief is an increasing concern for employers. Employers are sourcing plans that offer 24-hour freephone helplines and bolt-on employee assistance programmes. Plans covering chair massage and other complementary therapies to help alleviate stress are gaining more company-paid business.

More importantly, customers like the choice and freedom to choose when and where they go for healthcare treatments. Membership research also tells Health Shield that our members value 100% refunds of their everyday healthcare costs, across their range of benefits, without reductions to 75% or 50%.

Employers like choice too, and Health Shield's ability to offer real-time quoting for company-paid tailored schemes is the reason why it has increased its company-paid book of business year on year, working hand in hand with intermediaries across the UK. ☺



David Wilson, intermediary sales manager, HealthSure

The past twelve months have seen some steady progression within the cash plan arena, with exciting

opportunities emerging through changes in the way people are viewing their health and wellbeing, in tandem with NHS reforms providing a great leverage for players within the market.

This has resulted in a period of consolidation, with various mergers and acquisitions taking place which have enabled companies, such as the Simplyhealth Group, to grow and develop their strategy, while taking advantages of these opportunities.

The key question that arises on the back of this is whether or not this progression is sustainable in the long term for the providers that have a lesser degree of stability. Reacting to the customers' demands and the market conditions may provide short term success but can ultimately prove to be a case of over-promising and under-delivering.

The emphasis from the Financial Services Authority (FSA) on Treating Customers Fairly will be a factor moving into 2008. According to the FSA website, "by the end of March 2008 firms are expected to have appropriate management information or measures in place to test whether they are treating their customers fairly; and by the end of December 2008 all firms are expected to

be able to demonstrate to themselves and to us that they are consistently treating their customers fairly."

This regulation will try to ensure that consumers are treated fairly in terms of the product meeting their needs, the point of sale service, right through to what are often seen as post-sale barriers, such as complaints handling and efficient claims turnaround.

There is no doubt that innovation is a great thing to have and to aspire to, and without it, cash plans would have not evolved from being one dimensional products. But along with innovation and more and more new products entering the fold, the customers are getting the choice that they want, but is it at their own expense? Is it all just too good to be true? Only time will tell. ☺