

# Silver Health Insurance & Protection BRIEFING

## Cash plans enjoy 'sharp' rise in UK employer interest as providers offer value and flexibility

A surge in the number of employers paying for healthcare-related benefits for their staff during 2007 resulted in the first "significant" year of growth for cash plans in the 00s, latest industry analyst figures have revealed.

Last year, the employer-funded cash plans market increased by 27% to reach 293,000 contributors, Laing & Buisson said, helping the overall number of contributors to the product grow "relatively strongly", by over 3%, to reach 2,992,000.

Although individually/employee paid cash plans grew more modestly (by 1%), to reach 2,699,000, the "sharp pick" up in employer-funded schemes confirmed that demand for cash plans has now "turned the corner and started to grow", the analyst said.

The figures confirm anecdotal evidence, outlined in this Silver Briefing, that suggest insurance intermediaries are playing a crucial role in making more employers aware of the valuable and varied benefits that the long-standing healthcare product offers.

Healthcare cash plans have been in existence since long before the formation of the NHS. However, recent years have seen a surge in interest in them as they have become more relevant to the needs of today's employers and employees, participants in this Silver Briefing seminar heard. In addition to traditional benefits that provide refunds for optical and dental costs, wellbeing benefits such as complementary and alternative therapies are provided as part of some cash plans.

Employers stand to benefit too, as their duty of care responsibilities are also being met by some cash plan providers which offer access to services such as

employee assistance programmes, counselling and workplace wellness initiatives. In fact, a number of recent product developments from cash plan providers have been specifically launched to address advantage of the growing popularity of "wellbeing".

Medicash, for example, launched its Active plan in June 2008. It includes online health screenings, discounted gym membership, access to an expert medical opinion and helplines including counselling, homecall, health, medical and general advice. Meanwhile, Health Shield Friendly Society, another cash plan provider, launched a health and wellbeing benefit in January 2008 alongside its physiotherapy, osteopathy, chiropractic, acupuncture and homeopathy benefits. It includes a wide range of complementary therapies for stress relief, weight management and treatments on how to stop smoking.

Such innovation and the introduction of a broad range of benefits has been characteristic of the cash plan market in recent years, but according to Laing & Buisson, the product has managed to remain value for money as employers look to provide affordable benefits to their staff.

"Keeping cash plans affordable has been the key to their recent growth, as the average price for cash plans, at £164 in 2007, grew marginally below the rate of economy inflation in the last two years," Laing & Buisson said.

Although this meant that contribution income from cash plan sales in 2007 grew by only 4.3% to reach £482m, the Laing & Buisson figures mean that at the end of 2007, an estimated 4.97 million people were covered by health cash plans, 8.2% of the UK population.

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How a new breed of employer is benefiting from cash plans

#### THE CASH PLAN MARKET – KEY STATISTICS

Employer-funded cash plans market increased by 27% in 2007

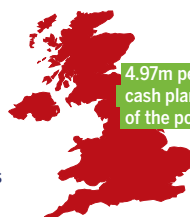
4.97 million people covered by cash plans

8.2% of the UK population

Average price of a cash is £164

Cost has remained under general inflation rate for past two years

2007 marked "significant" rise in employer funded schemes



4.97m people covered by cash plans – that's 8.2% of the population

Source: Laing & Buisson ([www.laingbuisson.co.uk](http://www.laingbuisson.co.uk))

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Health Insurance  
 Informa UK Limited  
 69-77 Paul Street,  
 London, EC2A 4LQ  
 fax: 020-7017 4194  
 tel: 020-7017  
 + extensions as below

**Editor**

David Sawers • ext.4154  
 david.sawers@informa.com

**Designer** Mira Horn

**Advertising manager**  
 Matt Dias • ext.4188  
 matt.dias@informa.com

**Key account manager**  
 Annalisa Russell De Clifford • ext.4124  
 annalisa.declifford@informa.com

**Production director**  
 Maria Stewart • ext.5819  
 maria.stewart@informa.com

**Production manager**  
 Fleur Cage • ext.5322  
 fleur.cage@informa.com

**Customer services department**  
 insurance.enquiries@informa.com



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 Email: insurance.enquiries@informa.com

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# Cash plans 'more relevant than ever' as economic downturn provides opportunities

- Good value product can offer more benefits to more people
- Intermediaries best placed to help employers get biggest bang for buck

The current economic downturn does not mean that companies have to provide fewer perks for staff and in fact could result in an upswing in the number of employees enjoying health and wellness cover as part of their benefits package.

Participants at a recent *Health Insurance* Silver Briefing came to the conclusion that the present climate could see employers re-evaluating the scope and type of employee benefits that they provide. However, rather than cutting back on healthcare cover amid fears about the gloomy economic climate, participants urged employers to look towards a broader range of healthcare products and services that can help to reduce absence and improve employee productivity and wellbeing at this crucial juncture.

High up the agenda of any forward thinking and savvy employer, they said, should be healthcare cash plans. As they continue to evolve to meet employer needs in a relevant and modern way, cash plans could prove suitable for a wide range of companies all facing different pressures.

Cash plans, which provide refunds for an increasingly broad range of treatments and therapies including dental and optical care, can be funded either by the employer or by individual employees on a subsidised basis. The fact that they are markedly less costly than a number of other health-related benefits should make them particularly attractive at this point in time.

David Wilson, intermediary manager at cash plan provider HealthSure, said although it is "slightly early" to link an increase in demand for cash plans to the economic downturn, that could change.

"Employers are going to be under pressure because of the economic climate," Wilson explained. "If you have a relevant, modern, simple benefit that can be put into place easily that meets the needs of both the employer and the employees then it is a win/win situation."

Employee benefits advisers at the Silver Briefing largely agreed with the sentiment. Lynn Pearce, senior account manager at Berwick Devoil Healthcare, said: "Cash plans are nothing but a strength, particularly in

**"Employers are going to be under pressure because of the economic climate. If you have a relevant, modern, simple benefit that can be put into place easily that meets the needs of both the employer and the employees then it is a win/win situation"**

David Wilson, HealthSure



the current economic climate. They are very good for staff retention as well as staff attraction."

Participants at the briefing also agreed that one reason that cash plans could flourish – but which is often overlooked – is that they can be introduced as an alternative to pay rises and that is something which should sound attractive to many companies looking to tighten their belts.

"Cash plans can also help employers that can't afford to give the pay rise that they would like to give because of profits not being where they should be," Pearce said.

However, participants at the briefing were adamant that the product should not be used as an alternative to more costly benefits, such as private medical insurance (PMI). Rather, a cash plan should be introduced as a complement to PMI and, again, this could perhaps help to address budgetary issues.

Pearce continued: "Cash plans can help employers to complement their medical insurance because they can provide a benefit to those with perhaps higher premiums on outpatient cover."

Similarly, Peter Lauris, sales and marketing director at cash plan provider Medicash, said the product is “complementary to PMI and can help with cost savings”.

He explained: “An employer can use the consultancy element of a cash plan to help to reduce the excess on a PMI policy for example.”

Tracy Izzard-Johnson, senior internal account handler at Essex-based intermediary firm HealthCare Partners, said: “I never offer a cash plan as an alternative to PMI because it isn’t. It has to be offered as what it is – as a cash plan – because if the employer does want to offer a benefit to the rest of the staff, then as soon as they say it is an ‘alternative’, employees start thinking it’s of less value than the benefit they currently have and that can often put them off.”

Equally, Izzard-Johnson warned that any employer that currently has a PMI scheme in place should think long and hard about swapping that benefit for a cash plan outright. Doing that could leave them exposed to worse underwriting terms should they wish to reinstall the PMI scheme once the current economic crisis has ended.

Fortunately, the flexibility of cash plans mean that with the help of a skilled healthcare intermediary, employers should be able to design a benefits scheme that offers meaningful and relevant coverage to as many employees as possible.

Bryan Taylor, senior consultant in the Benefits Solutions division of Aon Consulting, said: “Quite often when you get into a benefit audit situation you may find that there is a lot of overlap between benefits. There could be replication of cover and it is the job of the adviser to make sure that the benefits are working as seamlessly as possible as well as getting rid of inefficiencies. With pick and mix type cash plan products you are able to do that.”

The fact that cash plans can be paid for by employee on a voluntary basis – and that they are relatively inexpensive – also means that these benefits can be offered to a broader employee base.

Taylor continued: “One of the key benefits of a cash plan is that it allows organisations to offer a fully inclusive benefit to all staff as opposed to a small percentage of senior staff. Certainly, from a positive promotional point of view it gives employers that opportunity.”

By offering such an inclusive benefit to a broader employee base, employers are thus able to better meet their duty of care requirements, participants said.

Peter McAndrew, sales director of Health Shield Friendly Society, the cash plan provider, said: “The government is expecting employers to look much more into health and wellbeing of staff. The employee knows that – he reads the papers and listens to the television. As a result, employees are themselves now looking to their employers to look

after them. They are looking for health and wellbeing practice within the industry. There is a duty of care pressure from employees.”

Duty of care is “one of the main drivers” that has stimulated growth in the cash plan market as a whole, said HealthSure’s Wilson.

**“Employees are themselves now looking to their employers to look after them. They are looking for health and wellbeing practice within the industry. There is a duty of care pressure from employees”**

**Peter McAndrew, Health Shield Friendly Society**



He added: “More and more intermediaries are explaining it to their corporate clients, especially in the SME market where there aren’t the resources that are available in a large company. There are companies that just pay lip service to health and wellbeing and that probably will always be the case. But that’s where we as providers or intermediaries have to educate and enlighten people.”

The role of communication in that educational process was underlined by all of the participants during the briefing. The structure of cash plan providers means that they actually want employees to use the benefit and to make claims up to appropriate limits. Although the benefits of cash plans to employers – such as their role in helping to meet duty of care requirements – are important, employees too must find them relevant and useful if the whole process is to work, Wilson said.

He explained: “We have picked up cash plan business because existing schemes have been solely aimed at the employer. If the communication isn’t there to the employee and it’s not being used, then companies won’t want it.”

It seems, though, that companies do want cash plans and there is a growing number of organisations from an increasingly diverse range of industries around the UK that are implementing them.

David Willetts, head of business development at Health Shield Friendly Society, said: “It used to be that blue collar workers predominantly had cash plans. Traditionally, it was the manufacturing and engineering industries. But we have seen, over the last three or four years

especially, that more white collar industries are jumping on the bandwagon – solicitors, accountants and so on. Whether that’s the cash plan side itself or the broker side educating them more, I’m not sure, but I think there is a lot more diversity now in the industry.”

Brokers and intermediaries are absolutely central to the continued popularity of cash plans and participants at the briefing reported a genuine appetite from advisers to spread the message about the product and help employers to use it in an increasingly flexible and sophisticated way.

Clinton Bennett, senior sales consultant at specialist intermediary ADVO Group, said: “It’s about ongoing education. There are a lot of instances where you will walk into clients who have cash plans ticking over in the background that were initially set up many years ago and that’s a difficult opportunity that needs to be addressed. It is the brokers’ responsibility to re-educate the client about how the cash plan has moved on.”

At the briefing, there was a genuine sense that intermediaries are rising to that challenge and an increasing number of companies and their employees stand to benefit from the flexibility and diversity offered by today’s cash plan providers. 📍

# Silver BRIEFING ROUNDTABLE

## Healthcare cash plans



Panellists' biographies can be found on page 15

**Healthcare cash plans are appealing to a broader range of employers right across the UK, adapting and evolving to meet contemporary needs. *Health Insurance* brought together healthcare intermediaries and cash plan providers to discuss how the product is moving to the next level.**

**Can cash plans help employers during the economic downturn?**

Which type of companies do cash plans appeal to?

**Can cash plans help employers to meet duty of care requirements?**

Can cash plans deliver more benefits for more employees?

**How flexible are cash plans when it comes to scheme design?**

Why is communication and information so important?

**What recent product developments have there been?**

How relevant is the not for profit status of some cash plan providers?

**Are cash plans simple to sell and administrate?**



## Can cash plans help employers during the economic downturn?

### Peter McAndrew, Health Shield Friendly Society

A lot of companies, especially in the next year, will be looking to steady the ship and give their employees a positive statement about where they are. With cash plans, their employees actually get a better feel good factor than with any other kind of product. We know they are going to claim three or four times a year. Every time they get a cheque back from us, the employee sees it as something the employer has provided for them. Three or four times a year, it is reinforced that their employer is doing something for them. Over the next couple of years that will be really important.

### David Wilson, HealthSure

It is probably slightly early to link an increase in cash plan sales to the economic downturn. We have seen a steady rise in especially our corporate business over the last few years but I think there will be challenges with the economic squeeze. Maybe the cash plans market could benefit from a move towards a "back to basics" mentality. Employers are going to be under pressure because of the economic climate. If you have a relevant, modern, simple benefit that can be put into place easily that meets the needs of both the employer and the employees then it is a win/win situation. As an industry we need to keep the cash plan product and the messages around it simple. It's a simple product but it can be easily confused, as anyone who has tried to explain it knows.

### Peter Lauris, Medicash

Cash plan providers have seen a lot of interest from brokers and our first priority is to hang on to those relationships and try to add value to them in a cost effective manner. Some companies which have private medical insurance in place might like the idea of disengaging from that and moving to a cheaper alternative. But we all know the practicalities of doing that means it is often difficult. Laing & Buisson, the independent analyst, reports the market has seen a big surge in corporate business this year – around 27%. There is an appetite out there and people are looking to try and seek out sustainable value with the relationships they have already got. In addition, if there is a shortage in the labour pool, cash plans can help to attract and retain staff. They have been very key in periods of high unemployment and at that time employers have got to have a point of difference to either keep staff or attract new staff at a modest cost. Cash plans can offer something a bit different and if you are in competition to attract staff, it makes you a bit more attractive as an employer.

### Lynn Pearce, Berwick Devoil Healthcare

Cash plans are nothing but a strength, particularly in the current economic climate. They are very good for staff retention as well as staff attraction. If an employer can't offer full medical insurance to every member of staff because of the economic climate then at least they could offer a cash plan. It's a good strong alternative and more importantly it's a very tangible benefit purely and simply because the

cash plan itself actually gives back cash. It can also help employers who can't afford to perhaps give the pay rise that they would like to give because of profits not being where they should be. Cash plans can also help employers to complement their medical insurance because they can provide a benefit to those with perhaps higher premiums on outpatient cover.

**“Cash plans are nothing but a strength, particularly in the current economic climate. They are very good for staff retention as well as staff attraction”**



Lynn Pearce, Berwick Devoil Healthcare

### Bryan Taylor, Benefits Solutions, Aon Consulting

The current economic climate is geared up perfectly for cash plans. Look at what has happened with pensions – traditional defined benefit pension plans with open ended liabilities have placed huge financial pressure on organisations to the extent that they cannot afford to maintain the benefit in its current format. Therefore, we have seen significant growth in defined contribution plans. We are starting to see the same sort of thing happening in the healthcare market now. If you think of traditional private medical insurance as a defined benefit plan with an uncapped liability it is inevitable that costs may become prohibitive for some organisations in the longer term. Cash plans could represent an affordable alternative which allow organisations to accurately budget for the longer term. Due to the benefit design of a cash plan we would not expect to see premium increases in line with medical inflation. Our clients are taking comfort in the fact that should they elect to offer this style of healthcare benefit to an increased population, it's one that they are going to be able to sustain for longer term.

### Clinton Bennett, ADVO Group

It is too early to see any impact from the economic downturn on the cash plan market. We are not seeing much negativity within the marketplace at the moment but that's not to say that we are not bracing ourselves for it.

## Which type of companies do cash plans appeal to?

### Tracy Izzard-Johnson, HealthCare Partners

Until maybe two or three years ago some of our clients didn't want to get involved in a discussion about cash plans but now we are managing to explain it to them and gear them towards offering it to staff.

### Lynn Pearce, Berwick Devoil Healthcare

Quite often larger corporates get quite concerned that if they offer private medical insurance to all staff then a lot of the younger staff won't take out the insurance because of the tax implications. Cash plans overcome that. In addition, in effect they insure the type of injury younger employees suffer – things like sports injuries.

### Peter McAndrew, Health Shield Friendly Society

The SME market would really struggle if you start looking at family cover for private medical insurance and even to put in a decent employee assistance programme for a small sized company is very expensive if it is standalone. But by using the group cover from a cash plan, the employer is meeting their duty of care requirements. It can be an all encompassing family product.

### Bryan Taylor, Benefits Solutions, Aon Consulting

An employer might have 20 people covered on a private medical insurance plan but that could mean there are 1,000 employees that have got absolutely nothing and clearly from an intermediary point of view this represents a huge opportunity. The premium levels associated with cash plans allow organisations to take a much more inclusive approach and potentially extend a company funded healthcare benefit to all staff.



David Wilson, HealthSure

**“The perception generally has been that cash plans are a downmarket, poor man’s private medical insurance but we have seen business across sectors of industry which are not typically blue collar”**

### David Wilson, HealthSure

The perception generally has been that cash plans are a downmarket, poor man's private medical insurance but we have seen business across sectors of industry which are not typically blue collar. Accountants, solicitors, financial services, web designers and so on. Why? Because it is a relevant benefit. People would rather be getting money back for their

designer spectacles and their dental treatment. Benefits which they can use. There is always that balancing act between retaining traditional values and developing things that are right for the market in the future. Cash plan providers have emerged from their local or regional strongholds and from our perspective this has been largely driven by the relationships that we have with brokers. I think if you wish to operate effectively on a national basis you do need to be of a certain size and have the resources and budget to offer good customer service on a national basis.

### Peter Lauris, Mediacash

If we were to look at our book as a provider, we are obviously very strong in our local area because that is where we have grown up and that's where we have transacted business. Looking at the country as a whole there are certain black spots where there has not been an inherent cash plan provider historically. It comes back to the education process, not only for the end user, however we classify that person to be, but also from a broker point of view as well because it's not something that they have had on their doorstep and so not necessarily familiar with. Still when we look at the geographic spread there are black spots around the country but it takes an awful lot of effort and marketing budget to raise that profile and education. Brokers have a big part to play in this, of course, because their reach and stretch is far greater than an individual provider's might be. So some of those black spots are not totally black, they may be shades of grey. From a supplier point of view, brokers are key to our success and future development in educating the nation to the benefits of a cash plan. Providers can't be all things to all people at all times because we physically haven't got the capacity. But by utilising some of those distribution networks and channels and relationships, it makes us evangelical in spreading the word about cash plans.

### David Willetts, Health Shield Friendly Society

It used to be that blue collar workers predominantly had cash plans. Traditionally, it was the manufacturing and engineering industries. But we have seen, over the last three or four years especially, that more white collar industries are jumping on the bandwagon – solicitors, accountants and so on. Whether that's the cash plan side itself or the broker side educating them more, I'm not sure, but I think there is a lot more diversity now in the industry.

**“Over the last three or four years especially, more white collar industries are jumping on the bandwagon – solicitors, accountants and so on”**



David Willetts, Health Shield Friendly Society

## Can cash plans help employers to meet their duty of care requirements?

### Peter Lauris, Medicash

People are becoming more aware of their duty of care requirements, particularly for SMEs that can't have a full time HR or personnel department. There is a general feeling of people having to take more responsibility in the wellbeing and health arena.

### Bryan Taylor, Benefits Solutions, Aon Consulting

From our clients' point of view we have seen an increased interest in extending health and wellbeing benefits to a much wider population. Cash plans fall perfectly into this area and represent a cost effective way of providing an additional healthcare benefit that can also help to assist an employer with their duty of care responsibilities. The current government emphasis around welfare reform and the expectation that organisations should take much more responsibility for maintaining a fit and healthy workforce will continue to generate increased interest in this area. We have a number of clients who are members of Business in the Community, a group which is committed to encouraging organisations to formally report on health and wellbeing in their annual reports. Their aim is to have 75% of FTSE 100 companies reporting by 2011. Most employers would want to be an employer of choice and demonstrate that they are committed to making a real investment in health and wellbeing of their workforce.



Peter McAndrew, Health Shield Friendly Society

**“Employees are themselves now looking to their employers to look after them. They are looking for health and wellbeing practice within the industry. There is a duty of care pressure from employees”**

### Peter McAndrew, Health Shield Friendly Society

The government is expecting employers to look much more into health and wellbeing of staff. The employee knows that – he reads the papers and watches the television. As a result, employees are themselves now looking to their employers to look after them. They are looking for health and wellbeing practice within the industry. There is a duty of care pressure from employees.

### David Wilson, HealthSure

Duty of care is one of the main drivers that has pushed the cash plan market along and it will continue to do that because more and more intermediaries are explaining it to their corporate clients, especially in the SME market where there aren't the resources that are available

**“Duty of care is one of the main drivers that has pushed the cash plan market along and it will continue to do that”**



David Wilson, HealthSure

in a large company. There are companies that just pay lip service to health and wellbeing and that probably will always be the case. But that's where we as providers or intermediaries have to educate and enlighten people.

### DUTY OF CARE – JUST ONE OF THE MANY BENEFITS CASH PLANS HAVE TO OFFER

**Duty of care obligations** – with a cash plan, employees can claim toward the cost of eye tests, glasses and contact lenses from their policy, taking the responsibility away from the employer to reimburse the costs. Cash plans can also include a confidential 24-hour counselling helpline with an option of face-to-face counselling sessions if required.

**Sickness-related absence** – the Chartered Institute of Personnel Development in 2008 stated that sickness absence costs businesses on average £666 per person per year. A cash plan can encourage employees to go for treatment more regularly which can help to spot potential problems early.

**Stress in the workplace** – the Health & Safety Executive's (HSE) key annual figures for 2007/08 highlight that 2.1 million people were suffering from an illness they believed were caused or made worse by their current or past work. Additionally, 34 million days were lost overall, with 28 million attributed to work-related ill health. According to the HSE, businesses are legally required to have a stress management policy in place.

**Recruitment and retention** – trying to find the right kind of people for businesses is achievable but getting them to stay for the long term can be a lot harder. A cash plan can be a low-cost way of enhancing the recruitment or retention package, especially where it includes healthcare benefits employees can use even when they are not ill.

**Rewarding employees** – many businesses offer all kinds of employee benefits to its employees which might not be used on a regular basis, might not be relevant to all staff and that can be expensive.

Source: HealthSure

## How flexible are cash plans when it comes to scheme design?

### Bryan Taylor, Benefits Solutions, Aon Consulting

If you look at the private medical insurance (PMI) marketplace at the moment, medical inflation is on average running at 10%. High cost drugs are freely available and technological advances continue to improve. Costs are probably only going to go one way, which therefore means that clients' premium rates are potentially only going to go one way. As a result, clients are now taking time to take a step back and look at the design of their PMI



**“It is the job of the intermediary or the adviser to make sure that the benefits are working as seamlessly as possible as well as getting rid of inefficiencies”**

policies. On the back of that, we might find that more employers feel that their medical insurance scheme isn't a good fit for all of their workforce and may consider a two tier approach to healthcare benefits i.e. offering a choice between PMI and cash plan benefits. The employer could let staff decide which benefit is a better fit for them. We have got to be realistic – offering PMI to all staff for most organisations is going to be cost prohibitive. Just look at the welfare reform agenda, organisations are expected to take much more responsibility for health and welfare of their workforce and put preventative measures in place that can help to keep employees at work and get them back to work. Cash plans can be a very valuable piece of that jigsaw from an occupational health (OH) point of view. Many cash plan products will offer diagnostic scans, a consultation benefit and a therapy benefit. OH departments can make referrals to the cash plan arrangement allowing quick access to medical treatment. One of the key reasons why clients have intermediaries is to drive efficiencies and to add as much value as possible. Quite often when you get into a benefit audit situation you may find that there is a lot of overlap between benefits. There could be replication of cover and it is the job of the adviser to make sure that the benefits are working as seamlessly as possible as well as getting rid of inefficiencies. With pick and mix type cash plan products you are able to do that. It might be that a company is already buying optical vouchers and they have a standalone employee assistance programme in place. By purchasing benefits more efficiently without overlaps may mean that benefits can be offered to more people. Every client's objectives may change on a regular basis so we should be looking to constantly review that the benefit package offered is aligned with their key objectives.

### Peter Lauris, Mediacash

We have to be careful because everybody wants the bits that everybody is going to claim on so there is a commercial suicide element to it. There is an element of cross pricing and cross subsidy within product construction to make sure that we are able to retain that surplus to invest in the business and improve benefits for the longer term. Cash plans are complementary to private medical insurance (PMI) and can help with cost savings. An employer can use the consultancy element of a cash plan to help to reduce the excess on a PMI policy for example. It's about putting clients in an informed position from which they can then make a choice and some intermediaries, because they are not fully conversant with cash plans, don't pass on that knowledge or give the client the choice. Cash plans are not a poor man's PMI and the two things are completely and utterly different. We can use the analogy of a car – the big things that are likely to go are the engine and the transmission. That's what PMI is for. But your knocks, your bumps, your chips, your everyday stuff is where your cash plan fits in.

**“An employer can use the consultancy element of a cash plan to help to reduce the excess on a PMI policy”**



### Tracy Izzard-Johnson, HealthCare Partners

I never offer a cash plan as an alternative to private medical insurance (PMI) because it isn't. It has to be offered as what it is – as a cash plan – because if the employer does want to offer a benefit to the rest of the staff, then as soon as they say it is an “alternative”, employees start thinking it's of less value than the benefit they currently have and that can often put them off. If I had a client that had PMI but that was struggling I wouldn't say that a cash plan should be the first thing they consider. I would offer them a reduced benefit plan on PMI because that would keep them continually covered. If they come away from the PMI completely onto cash plans and then at a later date, when their finances are better, they want to go back to their PMI, they would be faced with the problem of being reunderwritten and pre-existing conditions might not then be covered. Particularly with our existing groups, if they are struggling we will bring their benefits down as low as we possibly can – even if it's just an inpatient plan we would prefer to do that or increase their excess. Perhaps consider specialist consultations rather than a full refund. I certainly wouldn't offer a

cash plan as an alternative unless it was an absolute last resort because it is important to keep conditions covered on a continued personal medical exclusions basis for when they want to go back onto the higher plan. Many PMI products are based on a pick and mix model – most clients are used to being able to remove or add benefits. They prefer that with cash plans as well.



**“I never offer a cash plan as an alternative to private medical insurance because it isn't. It has to be offered as what it is – as a cash plan”**

Tracy Izzard-Johnson, HealthCare Partners

some things covered or they don't want to offer a particular benefit to their staff. Being able to put something else in that is actually going to be more useful to the company is attractive. It's about having that flexibility of product, still giving you a core but having the option to remove two things and replace them with two others.

**“If a company has private medical insurance, they can use a cash plan to add on a telephone and face-to-face counselling element and it means they can cover all bases”**



Lynn Pearce, Berwick Devoil Healthcare

#### David Willetts, Health Shield Friendly Society

We would never expect or advise an employer to cancel a private medical insurance (PMI) contract and replace it with a cash plan because PMI offers fantastic value and peace of mind at times when people need it – and it can get people back to work. But what a cash plan does do is it provides a complementary product rather than an alternative product. There are a lot more specialist brokers out there now who know more about medical insurance and cash plans. However, there is still a section of financial advisers or consultants who, because cash plans aren't on their fact find, will just talk about life insurance, income protection and pensions.

#### Peter McAndrew, Health Shield Friendly Society

Cash plans are a standalone product, it's a separate market and, yes, we can make it as complementary as we can but we shouldn't try to cross that divide. Sometimes you can go too far into the private medical insurance side of the market and you can't differentiate between a PMI provider or a cash plan provider.

#### Lynn Pearce, Berwick Devoil Healthcare

Most good brokers would include cash plans as part of their fact find anyway because they really want to understand what their client needs. Companies are saying that they can use cash plans as a complement to private medical insurance and they can then meet regulatory requirements around optical tests and stress in the workplace. If a company has PMI, they can use a cash plan to add on a telephone and face-to-face counselling element and it means they can cover all bases. It also gives them the opportunity to express as a corporation their acknowledgement to the welfare of their employees which, again, is a very good point. Most clients want a pick and mix type product anyway because they have already got

#### David Wilson, HealthSure

There is the complementary aspect to cash plans. They do work very well alongside private medical insurance – that is the kind of solution we should be focusing on rather than actually changing what we offer into something else.

#### TO FIND OUT MORE...



To find out more about the different benefits cash plans offer and how they can fit into an employer's overall healthcare scheme, why not check out *Health Insurance's* latest guide on the subject? *The Cash Plan Book of Benefits* is available at the supplements section of our website. Got to [www.hi-mag.com](http://www.hi-mag.com) now.

## Can cash plans deliver more benefits for more employees?

### Peter Lauris, Medicash

We undertook a massive piece of research about two and a half years ago looking at the drivers for cash plan purchasers in the corporate sphere and the companies who were paying the premiums have a motivation and driver to keep employees healthy and productive and get them back to work as quickly as possible. But employees have a different motivation. They don't sit at home on piles of cash and not go to work if they can help it. So you have got this dichotomy of drivers, but it comes back to who is the client and a lot of that comes down to who is paying the premiums. A plan that is paid for by a company might have features and benefits designed around early detection, early intervention and proactive health. It could be about getting employees back to work or to keep productivity up. If it is a self paid scheme by an individual employee then they may be looking for a much wider range of benefits. Our challenge is to find the balance to try to give a universal appeal to both the user and the end user along the way. In addition, employers, at least the more enlightened ones, are thinking about charges of discrimination. Employees might say: "Why should you get PMI and I get nothing doing a very similar or even the same job?" So from a discriminatory point of view, some enlightened employers are now saying that a more general offering to all staff might be the best idea and a cash plan is a sensible solution. In addition, employers now are focusing much more on the household rather than the sole employee. They are allowing partners to be added and children to be added within the context of a company scheme. The more enlightened employers are now realising that with the household healthy then the employees are healthy. That's contributing to the surge in business as well because the appeal of the cash plan has been widened. Furthermore, cash plans can be looked upon as an investment for the future. They can help intermediaries to retain clients because the more products they have purchased through a broker or intermediary, the less likely they are to commoditise everything and move it on at the first opportunity. By being seen to add value, a broker is much more likely to retain clients. Setting up a cash plan scheme might seem labour intensive until it is up and running, but once it is up and running, then from a broker's point of view, the administration is negligible.



David Willetts, Health Shield Friendly Society

**“One area where cash plans do add value is their simplicity – employers understand them, employees understand them and they use them”**

### David Willetts, Health Shield Friendly Society

Many employers are looking for simplicity and one area where cash plans do add value is their simplicity – employers understand them, employees understand them and they use them. At the end of the day, the benefits have

got to be beneficial to both the employer and the employee. The employer is looking at the therapies and consultation but undoubtedly the employees are probably looking at dental and optical. That's the beauty of cash plans, that we can put them all in one pot and provide it on a cost effective basis.

### Bryan Taylor, Benefits Solutions, Aon Consulting

One of the key benefits of a cash plan is that it allows organisations to offer a fully inclusive benefit to all staff as opposed to a small percentage of senior staff. Certainly, from a positive promotional point of view it gives employers that opportunity.

**“One of the key benefits of a cash plan is that it allows organisations to offer a fully inclusive benefit to all staff as opposed to a small percentage of senior staff”**



Bryan Taylor, Benefits Solutions, Aon Consulting

### Clinton Bennett, ADVO Group

A cash plan is a proactive benefit. Although it is a good benefit to have, there is more of a burden on the employer to sell the concept of that to the employee. And if you look at a relatively small private medical insurance product against a much larger cash plan product, the route to sale is fairly long and the returns on that investment and on my time are not as great as I would like to see. The cash plan market is evolving and there are more bolt ons, there are more add ons and if you are going to complement a medical insurance product, you need to keep it simple. There is that middle ground where the cash plan is meeting the same need as a medical insurance product and that is when the client becomes a little bit unsure about whether it is the right product for them.

### Lynn Pearce, Berwick Devoil Healthcare

If the only thing an intermediary can pick up at that time, at that appointment, is a cash plan, then at least it keeps that link with that client and therefore opens the door to other opportunities at a later date.

### Peter McAndrew, Health Shield Friendly Society

Employers are asking their employees what they want and employees want something they can use on a regular basis and that will help them out with everyday costs. Offering a cash plan on a voluntary basis sometimes means that employees get the better quality benefits because they are actually paying parts of it as well. It can mean that the company gets a good deal and the employees get a better deal.

## Are cash plans simple to sell and administrate?

### Lynn Pearce, Berwick Devoil Healthcare

The cash plan schemes that we put in place have been easy to administrate. There has been absolutely nothing for us to do except do the initial part which is just the introduction more than anything. In fact, cash plans are trouble free.

### Peter McAndrew, Health Shield Friendly Society

If cash plan providers want to work in this market and want to sell through intermediaries then we have got to make the process as trouble free as possible and we have got to be able to take over that role once the intermediary part is done. We must not let the broker down and we must make sure that the scheme is run well and run professionally. Some brokers are concerned, understandably, about the investment they have to make before selling a cash plan into a company. But if you look at just the company paid level and the premium coming from that then, yes, it can be quite low, but if we rebuild the scheme where employees can then join voluntarily and have add ons with extra benefits in there, you can turn that premium around probably three times what the employer was initially paying. So all of a sudden that premium can be quite attractive, when you have finished with the voluntary side of the business coming in as well. I think that's a side that some brokers don't always understand – the potential of the premium if you mix the plan.



Peter McAndrew, Health Shield Friendly Society

**“That’s a side that some brokers don’t always understand – the potential of the premium if you mix the plan”**

### Peter Lauris, Medicash

There is a perception that many brokers struggle with cash plans because they don't fully understand them. We are responsible for making sure that education process is out there because if we are confident that the people acting on our behalf understand what that policy is, what it can do and how it can complement existing arrangements, the message is then conveyed to the client in a much more confident way and as a result of that sales rise. The messaging is important and we have a duty to educate people about cash plans. It's about getting that message out in a consistent, simplistic way so that intermediaries understand it and can relay it with confidence to their clients. Cash plans have evolved, particularly in the last five years, to have elements in there that weren't traditionally there. Some brokers are looking at all these disparate providers that an employer might have and then grouping all those together – but a cash plan can cater for a lot of

needs now and is bundled in one neat package. It makes the administration a lot simpler. And because of the community pricing that many cash plans operate, they have a degree of certainty in terms of purchasing for the future. The simplicity is there because you bundle it all up and the cost savings are there too.

**“A cash plan can cater for a lot of needs now and is bundled in one neat package. It makes the administration a lot simpler”**



Peter Lauris, Medicash

### David Wilson, HealthSure

The cost of acquisition is always a challenge for brokers. A cash plan protects and consolidates an intermediary's relationship with their client. Businesses are more vulnerable in a downturn but maybe cash plans are another way that brokers can help their clients. We also have to keep sight of the very relevant simple benefits and great value for money that cash plans offer. Not just to an employer but to the end user, the employee as well. The marketing and the communication from cash plan providers has improved over the last few years. We used to refer to cash plans as a "best kept secret" and that has changed over the last few years. In addition, cash plan providers have seen that corporate proposition become more focused and relevant to the employer because in the past we were probably trying, if we are honest, to squeeze an individual or voluntary plan into a corporate hole. Today it's more about focusing on both needs – the employer's needs and the employee's needs.

### Bryan Taylor, Benefits Solutions, Aon Consulting

With cash plans, generally you don't have age-rated pricing. Generally there are no exclusions for pre-existing medical conditions and so from an intermediary's point of view it is actually very easy to position a cash plan with clients. The simplicity of cash plans will be a key factor in their future success.

### Clinton Bennett, the ADVO Group

It's about ongoing education as well. There are a lot of instances where you will walk into clients who have cash plans ticking over in the background that were initially set up many years ago and that's a difficult opportunity that needs to be addressed. It is the broker's responsibility to re-educate the client about how the cash plan has moved on.

## Why is communication and information so important?

### Peter Lauris, Medicash

We offer management information (MI) in terms of claims because it is an early indication in some respects of what's going on in the workplace. For example, if we say company Y's annual claim for physiotherapy is 33% against the Medicash average of 11%, then it could suggest they have certain issues in the workplace they need to address. We don't know what the answer is, but those HR departments might start looking at some of the working practices that are in place. In terms of manpower planning, the MI that we provide through claims rates and that initial health screening can help employers think about what sort of people they have got. They can ask themselves what sort of plans they might need to make for the future? MI is going to become more and more important as we go along, particularly as HR departments are becoming more enlightened in looking at things such as tracking absenteeism properly. HR departments need to understand what the problems and the issues are before they can start shaping solutions around them. In addition, a communication message needs to go out and it needs to be continually reinforced, particularly when it is a company paid scheme. When the finance director starts reviewing the cost of providing this benefit, if employees are not claiming then he or she will sit back and say: "It's no good because nobody claims". But because cash plans are a tangible benefit, employees get money back in their pocket when they make a claim. Providers and intermediaries need to discuss with employers their communication process with staff. We need to examine everything from staff management to internet communications to staff presentations. It is vital that we get that message across. The employer is sitting there with a certain amount of knowledge that has come from the intermediary. As providers, our job is to go in and reinforce that and educate them a little bit further. We need to make sure it is cascaded down to the end user. Once we get those employees signed up and using the product, then from a supplier point of view, it becomes very difficult then for the company to actually remove it. If you make something over-complicated the easiest decision to make is no decision in terms of purchase. It's about finding that balance and making the products appeal to the segment that you are actually after.



Peter Lauris, Medicash

**“Once we get those employees signed up and using the product, then from a supplier point of view, it becomes very difficult for the company to actually remove it”**

### David Wilson, HealthSure

The economic climate will bring this into sharper focus. Management information (MI) is important but we have picked up cash plan business

because existing schemes have been solely aimed at the employer. If the communication isn't there to the employee and it's not being used, then companies won't want it. It's not heresy to say that we want people to claim up to the limits in the plans. We can assist HR departments with MI but it's important that we provide a plan that is working and is relevant and very usable to the workforce. There is still the slight dilemma about who is the client. Is it the employer or the employee? Because we are providing benefits and meeting the needs of both and sometimes we focus too much on one or the other. As providers we have got to be able to maintain that balance. At the end of the day it's the employee who is making the claims and that's what we do essentially, we pay claims.

**“If the communication isn't there to the employee and it's not being used, then companies won't want it”**



David Wilson, HealthSure

### Bryan Taylor, Benefits Solutions, Aon Consulting

For company paid cash plans we would expect the provider to provide management information (MI) and one of the key reasons behind this is that we want to evaluate what sort of return on investment our clients are getting from investing in healthcare benefits. It is not just about looking at the MI available from cash plans in isolation. As advisers, a key part of our role is interpreting what data is generated from all benefits and picking up on any trends that are taking place. That may be pinpointing by a site location or evaluating key medical trends across a business. We should be interpreting data and feeding back our key observations – it really is a vital aspect that our clients almost take as mandatory. If a client elects to introduce a cash plan benefit to 1,000 employees covering all staff there is some really valuable management information that can be generated. However, before the benefit is implemented it is important to understand the key objectives behind the introduction of the plan. Based on these objectives we need to agree what information is going to be valuable for the client and the intermediary on an ongoing basis. It is about working together in a tripartite manner ensuring that everyone's expectations are managed accordingly. Cash plan providers can assist the intermediary community in ensuring that advisers fully understand what a cash plan does and where its limitations lie. Every intermediary should be looking to undertake a full fact find with their client to ensure that they have a comprehensive understanding of their client's key requirements – and then they come up with a number of solutions for them. A cash plan might just be one solution. It's not going to be wholly appropriate for everyone but that's why a company uses an adviser in the first place – to get independent, professional advice.

## **Peter McAndrew, Health Shield Friendly Society**

When we talk about employee take up and employee usage of cash plans, this should all start right from the first negotiations with the company. Sometimes providers and intermediaries can focus on selling the product to the company and we don't negotiate access to staff presentations, ongoing visits and so on. The company might be quite happy to sign on the dotted line but surely at that stage we should be negotiating with the company and explaining why they need to give good access to staff. They need staff presentations, they need future good account management. I don't think that always happens. Sometime staff have never been educated on how to use a cash plan in the first place.

**“An intermediary’s job is based on ongoing communication with their clients. From year to year their requirements change and we need to stay in touch with that”**



Clinton Bennett, ADVQ Group

## **How relevant is the not for profit status of some cash plan providers?**

### **Peter Lauris, Medicash**

Many companies are interested in providers that are not for profit organisations. Perhaps the current economic climate will prompt a move towards traditional mutuality as a bedrock going forward. It creates quite a bit of interest within corporate buyers – many like the idea of the benefits going back to the members and in terms of corporate social responsibility, cash plans are a natural fit. Some intermediaries and decision makers can get a bit confused as to who is in and out of the market. Traditional suppliers have always stuck to their knitting – we've been here for 130-odd years and have built up massive cash reserves. By the nature of what we do, the solvency and liquidity aspect of our businesses is more financially robust than those of a proprietor with shareholders, by and large.

**“The financial solvency of our insurance partners is extremely important and is regularly reviewed. Cash plan providers generally score well in our financial assessments”**



Bryan Taylor, Benefits Solutions, Aon Consulting

### **Peter McAndrew, Health Shield Friendly Society**

Over the years some of the bigger for-profit insurer have tried to break into the cash plan market and have not managed it. They haven't been able to handle the cash plan market. It's ironic that Treating Customers Fairly is so high profile now and it is as though it's a new thing – treating customers fairly. As mutuals we have been doing that for years.

### **Bryan Taylor, Benefits Solutions, Aon Consulting**

The concept of mutuality does appeal to certain clients, yes, but there are a lot of plc insurers that share similar ethics. Of course they have to deliver certain returns to shareholders. The financial solvency of our insurance partners is extremely important and is regularly reviewed. Cash plan providers generally score well in our financial assessments as they have large financial surpluses on account, giving our clients confidence that any claims exposures will be met.

### **David Wilson, HealthSure**

Some for-profit insurers don't have the same culture or ethics and sense of tradition that cash plan providers do. Many cash plan providers have similar values – there is a benevolence and desire to help people. Mutuality probably is even more relevant now with corporate social responsibility. That's something that we can emphasise a little bit going forward. Having said all of that, of course we need to be very commercially aware. We have all of these good, traditional, benevolent aspects to us as cash plan providers. But to look after our customers we need to be commercially very agile and very aware as well. We have to be very conscious of the long-term sustainability of our business.

## What recent product developments have there been?

### David Willetts, Health Shield Friendly Society

We cover things like the Denplan and dental care contracts under our dental benefit. We also pay out benefits on things like the teeth whitening and orthodontics. We also have a separate benefit for health and wellbeing. There are still got the traditional therapies, such as physiotherapy, chiropractor ad so on but the health and wellbeing benefit now covers things like the chair massage, head massage, reiki, sports massage and shiatsu. That's all designed to combat stress in the workplace and that has gone down quite well with decision makers and brokers. As well as the duty of care element addressed by eyesight tests and employee assistance programmes, companies are wanting to be more proactive. We are launching a new product from January which is called the Essential Scheme. We are going to offer a standard off-the-shelf company paid scheme starting from 75p a week. That will cover GP, dental, optical and health and wellbeing benefits. It is aimed at the SME market and that is going to be available from January. We will still offer the bespoke scheme where companies can actually tailor their own scheme through a software package that we have. So we are going to companies and saying "what benefits do you want?" Because sometimes they might not want optical because they already pay for eyesight testing. It might be financially better for them not to have it in the cash plan. So we will design schemes around what that company wants as well on a tailored side.

### Peter McAndrew, Health Shield Friendly Society

We also plan to install three new flexible benefit schemes. They are off-the-shelf type schemes but they fit into different platform provider needs. The problem at the moment with flexible benefits is that maybe an employer wants a particular number of benefits and so on but the platform provider can't fit it on the platform. So we are launching three off-the-shelf schemes that should fit into any platform as well. Eighty per cent of our return business is sold direct by Health Shield and the remaining 20% is through intermediaries. On the SME side of the market, brokers are saying they don't want the tailored approach because it's too complicated for a small group and they want something off the shelf that they can move quite quickly.

### Peter Lauris, Medicash

We launched our new Medicash Active health cash plan back in April of this year. Now, 50% of the dental benefit that's available under the plan can be used to reimburse premiums to a dental capitation scheme such as a Denplan. That was done to get over people deciding whether or not they should have Denplan or a cash plan. That has gone down very favourably because people now have freedom of choice, not only where they take their treatment but also for reimbursement. We also strayed into the realms of orthodontics for the first time and now cover dental braces. Historically it was classed as cosmetic and therefore it was prohibited. However, children these days want the all-American smile – but it comes at a price because of restrictions under NHS dentistry. As a result, we felt that that was a useful addition, bearing in mind we covered kids free of charge up until the age of 19. Another recent innovation for

us was to offer second opinions through Best Doctors, whereby if you are diagnosed with a serious illness or condition, you can have your diagnosis, prognosis and treatment plan independently assessed by an eminent consultant in that field and they will work with your practitioner to make sure that everybody is comfortable with what is being proposed. We also split the complementary and alternative therapies and made them more wide-ranging. We also want to attract younger people and so for the first time we have included sports massage as a benefit. However, there is a danger of commoditising the product whereby it devalues the overall benefits and it is then seen as too good to be true. Some providers have devalued the product by driving down the price considerably and having to drive down the benefits as a result. There is also a danger in trying to be all things to all men and you can end up developing products that seem great but nobody actually likes it or wants it. We need to remember that what we offer is a robust product in terms of its construction, its pricing and its message.

**"We need to remember that what we offer is a robust product in terms of its construction, its pricing and its message"**



Peter Lauris, Medicash

### David Wilson, HealthSure

Sometimes you can end up trying to design a product that satisfies everybody and can never really exist in the real world. However, having said that, we have worked with other parts of the Simplyhealth group, particularly BCWA, which has allowed us to offer specific solutions using private medical insurance and cash plans. This is an aspect of our business that we will continue to develop in the months to come. In the corporate market, we have enhanced our HealthSure One plan with an additional hospital inpatient benefit. We will continue to offer flexibility in the corporate market as we go into 2009.

# BIOGRAPHIES



## **CLINTON BENNETT SENIOR SALES CONSULTANT, THE ADVO GROUP**

Clinton has worked for award-winning healthcare intermediary ADVO for the past five years. From a background of sales within automotive refinish and IT industry, his current position focuses on providing specialist support services and independent advice.



## **TRACY IZZARD-JOHNSON SENIOR INTERNAL ACCOUNT HANDLER, HEALTHCARE PARTNERS**

Tracy's background is in legal services accounting. She joined HealthCare Partners in 2003 and is a senior account handler with a portfolio of around 150 SME clients ranging in size between 3 and 200 members. She is "at the coalface" in terms of knowing what customers want and how any changes in the economy may affect their decision making. Tracy is just completing her CII Certificate in Insurance. She is also responsible for ensuring HealthCare Partners meets the Financial Services Authority's Treating Customers Fairly deadline.



## **PETER MCANDREW SALES DIRECTOR, HEALTH SHIELD FRIENDLY SOCIETY**

Peter's career within the cash plan market spans 12 years, holding several different roles within Health Shield in the process. His main experience lies within the flexible benefits and worksite marketing sectors. Peter was involved with the design and implementation of Health Shield's Tailored Scheme solution. His current role within the company mainly focuses on sales strategy and on people and product development.



## **PETER LAURIS SALES AND MARKETING DIRECTOR, MEDICASH**

Peter is the sales and marketing director of Medicash. He joined the not for profit organisation four years ago. Before that Peter was the regional sales director at the Medical Sickness Society, part of the Wesleyan Assurance Group. Previous roles include working for Black Horse Financial Services and the Prudential Corporation. Peter was voted Professional of the Year by Downtown Liverpool in Business in 2006 and is listed in *The Who's Who Business Elite* edition for 2008. He is also chairman of the board of the business development committee for the Roy Castle Foundation.



## **LYNN PEARCE SENIOR ACCOUNT MANAGER, BERWICK DEVOIL HEALTHCARE**

Having spent 25 years publishing trade and consumer magazines under contract for the National Pharmaceutical Association, the Royal College of Midwives, the NHS and the Health Visitors Association, Lynn decided it was time for a total career change in 2003 and chose to move to the health insurance market. She joined Berwick Devoil Healthcare in 2006 as a senior account manager with the primary objective to expand its UK corporate business portfolio for health & risk products.



## **BRYAN TAYLOR SENIOR CONSULTANT, BENEFITS SOLUTIONS, AON CONSULTING**

Bryan is a senior consultant within the Benefits Solutions team at Aon Consulting. He has over 10 years' experience in the corporate health and risk arena providing advice and support to clients in relation to medical benefit design, effective risk management and occupational health delivery. Bryan is "passionate" about helping clients to offer healthcare benefits to as wide a population as possible within their financial constraints. His role at Aon also includes developing new consulting propositions to assist clients to meet current and future socio-economic demands.



## **DAVID WILLETTS HEAD OF BUSINESS DEVELOPMENT, HEALTH SHIELD FRIENDLY SOCIETY**

David has 10 years' experience in the cash plan market, mainly focusing on the corporate sector. Over recent years David has been responsible for gaining market share within the intermediary sector. His current role is to develop this market further by ensuring his team of business development managers are tuned in to the needs of intermediaries and companies alike, ensuring a quality solution for clients.



## **DAVID WILSON INTERMEDIARY MANAGER, HEALTHSURE**

David joined HealthSure in 2000 to set up and develop the intermediary business which now includes field-based intermediary consultants, a national intermediary consultant 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.

# Concluding words

## Peter McAndrew, sales director, Health Shield Friendly Society

In light of the present economic climate, it was great to hear a very upbeat message coming from all parties at this Silver Briefing event.


Cash plans have a history of resilience through difficult times – in fact they were originally designed as self help groups for people who could not afford healthcare of any kind. Over the years cash plans have had to reinvent themselves to fit in with changing legislation and healthcare needs. It is this constant ability to design and deliver products to cover changing market places that make cash plans a good long-term solution for both intermediaries and employers alike.

Intermediary involvement is becoming an important part of the overall growth of the cash plan market. Cash plan providers will need to ensure that their products do not cross over into other healthcare

areas such as private medical insurance if they are to build better relationships with brokers. It has to be remembered that in the main, cash plans are sold by intermediaries as add-ons to their already established range of products. By keeping their products flexible and simple to use, cash plan providers can deliver an attractive added source of revenue for brokers.

Company paid premiums could come under pressure as the current economic climate bites into available resources. Offering a good range of higher premium voluntary top ups and good ongoing worksite marketing and customer service should help to build premiums well in excess of the initial employer contribution, therefore providing a more attractive proposition in the long term for intermediaries.

The SME market continues to grow, mainly through intermediary activity, and cash plan providers will need to look at providing products which cover the essential requirements of this sector. These products will need to be affordable and simple to administer, with a good range of voluntary top up levels to help achieve the optimum premium possible.

As companies feel the effects of the downturn, healthcare budgets will be harder to source and they will be looking for added value for their money. Employers sometimes forget the “feel good” factor of a company funded scheme. On average their employees will claim around four times a year, and each time they claim it reminds them that this benefit is provided by their employer; in hard times this will mean even more to them. 

## David Wilson, intermediary manager, HealthSure

Unsurprisingly, in the current economic climate some businesses may question the place of employee benefits, viewing them as an unnecessary “nice to have” that can be easily cut to alleviate financial pressures.

My view is completely the reverse and I would encourage intermediaries to advise their clients to give some thought to the longer term perspective and how a health cash plan can help their employees get through this difficult time.

Removing valuable employee benefits will only serve to further reinforce negative perceptions for those employees who may already be nervously worrying about the widely reported credit crunch and how it will affect them. I believe that reducing investment is a short sighted strategy and takes no account of the fact that every employer is obliged

to take the necessary precautions to provide a safe and satisfactory working environment and faces a legal responsibility to prevent their employees being harmed or made ill by work.


A downturn in the economy does not mean that employees can turn a blind eye to their responsibilities in this area. These obligations range from making provision for employees who may suffer for ill health as a result of strains and stress-related conditions from longer and harder working hours to providing eye tests and glasses from those who spend extended days spent hunched at desks labouring over laptops and VDUs.

As we are all aware, employees are the lifeblood of any business. Happy, healthy employees whose welfare is being cared for are more productive and therefore profitable. Maintaining employee wellbeing in a turbulent economic environment can

make the critical difference between organisational success and failure at this time.

A health cash plan product has a high perceived value with employees – often higher than a nominal pay rise as they can be used regularly and extended to include family members. Fortunately, the premiums are largely static, allowing employers to budget and plan for their continued use.

It is my view that the credit crunch will only serve to make health cash plans more widely requested as employers and employees search for a cost effective solution to keeping the business healthy and in the best shape for continued productivity and profitability.

As a result, health cash plans remain a relevant and buoyant product and I would encourage intermediaries to look to the product as an additional income stream as times get tough. 

## Peter Lauris, sales and marketing director, Medicash

The current economic climate is one of drama and uncertainty impacting on so many areas, businesses and individuals. One factor that remains certain, however, is that most of us are going to have to work longer in order to secure a decent pension. Remaining fit and healthy is therefore critical.

Employers, whatever sector they are in, rely on their workers’ productivity to survive and succeed. They need to look after the wellbeing of their staff and ensure that their workforce is fit for purpose.

Time off work to gain access to NHS dentistry, for example, can take longer than ever before, and that’s not even considering the consequences of not having regular dental check ups.

So with these factors in mind, it has never been more important for employers and their advisers, intermediaries and brokers to consider where the best value for money lies when thinking about healthcare for their workers. With many new innovations and benefit additions, health cash plans have once again come into their own in providing affordable, flexible everyday cover. It is well understood that this is not an alternative to private medical care, but cash plans do provide valuable cover for those essentials such as dental and eyesight checks. For the employer, duty of care boxes can be ticked with the integrated employee assistance programme elements of such a modern plan.

The once perceived “humble” cash plan is a powerful tool which can assist with absence reduction programmes, provide cash back to the employees, and can be administered simply by the employer – all for a cost much lower per capita than private medical insurance.

Adding value and reassuring staff and customers is what it’s all about in these times of economic strain. So for little cost, when presented as a percentage of the total wage bill, employers can really start looking after their most valuable asset – their people. It is up to those intermediaries advising their clients to show that their relationship is truly based on adding value, rather than just chasing a quick buck. 