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Dear Mr Fahy

BUPA RESPONSE TO EUROPEAN COMMISSION CONSULTATION

This letter constitutes BUPA's response to the Commission's Consultation (SEC (2006) 1195/4) dated 26 September regarding possible Community action on Health Services.

BUPA is a UK based multi-country specialist health and care group, details of which can be found at www.bupa.com. Within EU member states we have established businesses in the UK, Ireland, Spain, Denmark and Malta. Globally, the majority of our business is in private medical insurance (PMI) but we also have significant interests in hospitals and care homes, particularly in the UK and Spain.

This response focuses on just one matter which is of considerable concern to BUPA.

The first part of the Consultation document focuses on potential Community actions to increase "legal certainty" regarding EU citizens' rights and entitlements when they move from one EU member state to another. The Consultation document identifies four categories of cross border healthcare, one of which relates to the use of (and re-imbursement for) services to a patient whilst he is "temporarily" in another country.

BUPA notes that the scope of the Consultation has been drawn widely and compasses all health services "however organised and financed at a national level". It is understood that it may be the Commission's intention to define any proposed legislative actions arising from the Consultation in similarly wide terms.

At present patients' EU based rights for re-imbursement for healthcare services delivered whilst the patient is "temporarily" in another EU member state are confined to services financed by "mandatory social security schemes". Under the OECD health insurance taxonomy[1] such mandatory social security schemes are deemed to be a "primary" ("principal") source of health financing for patients.

The OECD health insurance taxonomy distinguished two sub categories of "primary" sources of health financing: "principal" in the sense of first or main (and often mandated) funding source and "substitute" which can be defined as an alternative permitted (insurance/source of funds) for costs that would otherwise be met by benefits from (and contributions to) a (mandated) "principal" funding source.

[1] OECD (2004) *Proposal for a taxonomy of health insurance*, OECD, Paris

Whilst the OECD taxonomy was initially developed to distinguish the distinct roles of various types of private health insurance it can also be used to distinguish the precise roles health insurances provided by public bodies (not all of which are necessarily "principal") and of pre-paid (or pre-contracted) non-insurance health funding mechanisms such as individual savings accounts or company health funds.

Many PMIs sold in EU member states are an "additional", rather than "primary", source of health funding. When PMI is in an "additional" role it is invariably sold on a "voluntary" rather than a "mandatory" basis. Work by the OECD in 2004, highlighted the presence of PMI in a "primary" role (either "principal" or "substitute") in some EU Member States[2], notably Austria (substitute), Belgium (principal), Germany (substitute), the Netherlands (principal) (now superseded), and Spain (principal and substitute). The purchase of such PMI is very largely, if not entirely, mandated by national laws.

The OECD taxonomy defines three distinct roles of "additional" sources of health insurance and/or funding:

"Complementary" – which provides cover against "co-payments" at the point of use, not covered by a "primary" funding source;

"Supplementary" – which provides cover for services not included within the scope of a "primary" funding source;

"Duplicate" – which provides an alternative funding source for services included within the scope of a (mandated) "primary" funding source.

BUPA strongly recommends to the Commission that any extension of patients statutory rights for re-imbursement for healthcare services delivered whilst the patient is "temporarily" in another EU Member State, under Community legislation, are confined to services financed by "mandated" (public or private) health financing schemes in a "primary" funding role (whether "principal" or "substitute").

BUPA believes that any attempt to include "voluntary," "additional" health insurances within the scope of "EU wide re-imbursement rights" will risk significantly reducing demand for such insurances at a country level. The reasons for this are twofold. One, customers with limited or no intention to travel overseas will be reluctant to cross-subsidise customers who do. They will perceive it to be unfair and value diminishing. This will have a negative impact on demand, perhaps especially demand from older customers. . Two, prices will have to reflect the emergence of a (small but expensive) group of patients who will actively seek out services overseas that are unavailable in their home country.

At present it is possible for customers to buy travel insurances that include the re-imbursement of medical expenses for specific periods of time. Such a market structure is simpler and more specific to people's actual needs and willingness to pay. It creates fewer distortions than a system that would require all health insurance to be sold on the basis of EU wide benefit entitlement.

If however the Commission is minded to include "additional" health funding mechanisms within the scope of any plans to extend patients rights for re-imbursement for healthcare services whilst the patient is "temporarily" in another EU Member State, BUPA strongly recommends that "duplicate" insurances are specifically excluded from scope. Patients with "duplicate" insurances will already be covered by any extension in rights that pertains to their "primary" funding vehicle. Duplicative insurances are often quite specific in scope and are designed to address perceived weaknesses in the health systems of particular countries. BUPA does offer health insurances with multi country scope from our offices in Brighton UK and Copenhagen, Denmark but these are significantly more complex to administer and commensurately more expensive.

[2] OECD (2004) *Private Health Insurance in OECD Countries: The OECD Health Project*, OECD, Paris

I understand that Nigel Clarke, BUPA's external Group Government Relations adviser had the chance to discuss the issues set out in this letter with you last week, at least in outline. Many thanks for giving him that opportunity. You may also be aware that BUPA retain Cabinet Stewart as our advisers on EU affairs. Catherine Stewart is also aware of our concerns re these matters.

I understand only too well the considerable scope and complexity of the issues raised by the Consultation. Nonetheless, I hope that, as you work your way through the responses, and refine your intended plan of follow up action, you will not lose sight of the main issue raised in this letter. It is of fundamental importance to health insurers in Member States that have well developed voluntary, additional and "duplicative" health insurance markets.

I would welcome the chance to discuss these matters further, with you or your colleagues, if that would be helpful and look forward to reading the Commission's response to the Consultation exercise in due course.

With best wishes

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