Uncovered Report:
Cash Plan and Private Health Insurance Explained
Contents

3 Introduction
4 Cash plan products
6 Private health insurance products
9 How the two plans match up?
10 Conclusion
Introduction

Getting the best possible healthcare promptly including access to new drugs and treatments that people read about everyday in the news is always of high importance to people. Many look to private health alternatives to meet this need.

It is important that customers have a thorough understanding of all the options available to them. For example, private health insurance and cash plan products often get confused, leaving consumers unsure of the treatments each offers.

This guide has been developed to help readers gain a full understanding of the difference between private health insurance and cash plan products. Our hope is that, by cutting through the jargon, we can help consumers make informed decisions about looking after their health.

What is the difference between cash plan and private health insurance products?

Many people may consider private treatment and support to be expensive but there is now a range of healthcare options catering for different needs at a reasonable cost, most notably modular private health insurance that enables you to tailor your cover to suit your needs and budgets and Cash Plan products.

These products are often referred to as if they are interchangeable. However, they actually serve different purposes, with private health insurance providing treatment for those unexpected more expensive health claims and cash plans providing reimbursements largely towards everyday health costs that can all add up.

Both products have their place, and are a great way to help consumers stay well by complementing the excellent emergency treatment available on the NHS. The next section explains each proposition in more detail.

1694 Concept of health insurance first devised in a book by Hugh the Elder Chamberlen

1850 Accident insurance, operating much like todays disability insurance, first offered in the US by the Franklin Health Assurance Company of Massachusetts

1873 The Hospital Saturday Fund, a forerunner of private health insurance in the UK, founded to raise money for hospitals

1948 Launch of NHS in the UK

Late 20th century. traditional disability insurance evolved into modern health insurance programs

1990 Aviva, then Norwich Union Healthcare, launches it’s first private health insurance offering, Express Care.

2009 Aviva launches a new and improved flexible, modular offering into the cash plan market, My Health Cash Plan.
A health cash plan is a way to help contribute towards everyday health costs such as prescription charges and dental and optical expenses. Whilst consumers will need to initially pay for such treatment, the plan will then reimburse them up to a specified limit. This potentially saves a significant amount of money each year and helps people with medical costs.

One of the most desired benefits of this proposition is cash towards dental treatment, which is hardly surprising when you consider that complex dental treatment such as crowns or root canal surgery can cost almost £200 on the NHS. Cash towards optical treatment and then money towards specialist consultations and private inpatient treatment are also highly valued.

As an example of the cover available, Aviva’s My Health Cash Plan offers as standard:

- 100% reimbursement of dental and optical charges each year, up to a combined total of £250
- 80% reimbursement of prescription and other GP charges each year, up to a combined total of £50
- 80% reimbursement of therapies such as physiotherapy, osteopathy, chiropractic, homeopathy and acupuncture each year, up to a combined total of £150
- Up to £100 worth of health screens every other year
- A ‘baby bonus’ of £200 for each baby
- Access to a 24-hour GP telephone helpline and stress counselling helpline
- Gym discounts from a selection of UK gyms.

This is a summary of cover only. A full breakdown of policy benefits and exclusions is available on request.

In 2008/2009, £571.7 million was spent on dental treatment in England, an increase of £40.3 million on the previous year.

“Doesn’t a cash plan just help me out with dental work?”

Cash plans actually pay money towards a variety of health benefits – as well as dentistry and optometry. With core health cover, My Health Cash Plan offers physiotherapy, osteopathy, chiropractic, homeopathy and acupuncture, GP prescriptions and charges, health screens, plus a 24 hour GP helpline and reduced gym fees.

My Health Cash Plan from Aviva offers a ‘baby bonus’ of £200 per baby. In 2008, 708,708 babies were welcomed into the world in the UK – the highest number since 1972!

A growing market

This is a growing product offering, there are currently 2.9 million individual contributors to cash plans in the UK.

Policies are typically purchased by older couples whose children have left homes or families who want to maintain a budget as well as a healthy lifestyle, e.g. younger people funding healthcare for the first time on a budget or families who stick to a monthly plan.

In 2008/2009, £571.7 million was spent on dental treatment in England, an increase of £40.3 million on the previous year.

1 Source: based on NHS guideline prices (Band 3 is £198)
3 Source: NHS Dental Statistics for England, 2008/9, August 2009
4 Source: Births and Deaths in England and Wales, Office of National Statistics, May 2009
5 Source: Laing & Buisson, UK Market Report August 2009

Cash Plan & Private Health Insurance Explained
Aviva’s My Health Cash Plan gives you access to a 24 hour GP telephone helpline – support whenever you need it! In 2009, there were 12,426 calls to the helpline.

How can cash plan premiums be reduced?

Reduced cover
Cash plan customers can choose to reduce the treatment that they are reimbursed for. For example, Aviva My Health Cash Plan customers can choose to be covered only for dental and optical treatment.

Modular products
Certain cash plans are modular in nature, meaning that customers are able to pick and choose their benefits. For example, with My Health Cash Plan from Aviva, for a small premium increase, some people may wish to extend their cover to include a hospital benefit such as reimbursements towards in-patient, day-patient, x-rays and scans, specialist second opinions and child support cash benefits.

What influences people to buy?

- Current economic climate
- Dentists going private
- Lifestyle changes e.g. having children
- Wanting to maintain a healthy lifestyle

What are key requirements?

- Menu approach: people want to be able to pick and choose their cover
- Family cover
- Dental and optical cover

It is important to note that there is generally a qualifying period before any claims can be made and there will be certain costs that are not covered. For example, it is unlikely to cover treatment that takes place overseas and there may also be specific exclusions on the benefits themselves e.g. laser eye treatment would not be covered within the optical benefit allowance.

“Would I ever really use it? I look after myself and don’t need glasses.”
A recent study by Aviva showed that over half of those questioned would have to rely on savings to pay for unforeseen medical bills, with one in five relying on a credit card. A quarter of people would even sell personal items to cover payment! Cash plans offer an easy, low cost way to help protect you and your family.

6 Source: Internal data from Aviva UK Health
7 Source: Laing & Buisson, UK Market Report August 2009
8 Mintel, Health Cash Plans & Private Medical Insurance, Finance Intelligence, August 2009
9 Source: Aviva’s Make do and Mend survey, October 2010
Private Health Insurance

Private health insurance offers prompt access to non-emergency treatment (secondary care) as a private patient. If a customer is diagnosed with a specific medical condition (called an acute medical condition) they will be referred to a private specialist by their GP and will receive treatment in a private hospital. This means there is a choice over when and where they are treated, providing peace of mind should they need to claim.

**Acute vs Chronic**

It is important to note that private health insurance only covers acute conditions, which means short-term health problems that can be cured with medical treatment. Private health insurance policies will generally not cover a chronic condition, which is a health problem that is permanent or likely to continue indefinitely (or recur). This also applies for conditions to which there is no known cure. It may however, cover an acute phase of a chronic condition.

In 2009, Aviva UK Health paid out £289 million for medical treatment for its private health insurance customers.

To demonstrate the cover offered by private health insurance products, Aviva’s Healthier Solutions policy offers the following core cover:

- Treatment at one of more than 300 hospitals
- Hospital charges
- Specialists’ fees
- Diagnostics tests
- Radiotherapy/chemotherapy

Additional benefits can be added to increase cover or removed to reduce cover. Like cash plans, there are situations where the consumer will not be covered such as treatment for pre-existing conditions, cosmetic treatments or unproven, experimental therapies.

“**Private health insurance is a waste of money if you don’t get sick**”

Private health insurance helps you lead a healthy lifestyle, as well as helping when you get sick - Aviva’s Healthier Solutions, for example, allows you discounted gym membership at selected UK gyms, access to the MyHealthCounts service and access to GP and stress counselling helplines.

**Will pre-existing conditions be covered?**

Most insurers offer two main underwriting options. Full medical underwriting means that all medical history is divulged and cover is granted dependent on this, usually with any pre-existing conditions excluded. Alternatively, moratorium underwriting is also available, whereby their medical history is kept private but the customer is automatically excluded for any condition that they have received treatment for (including symptoms and advice), for a preceding period (usually five years) until they have gone a number of years (usually two years) medication, treatment or advice free. Cover is then reinstated for that condition.

**Private health insurance policyholders**

Private health insurance is a popular option in the UK and there are currently 6.4 million policyholders; the market grew by 1.5% for individual cover in 2008. Research has shown that the key drivers for consumers in taking out a private health insurance policy are NHS waiting times and standards of hygiene in NHS hospitals.
Musculoskeletal injury is the most common cause of pain in the UK. 

Back-Up from Aviva helped 4034 private health insurance customers speak with experts in rehabilitation to help them manage their condition and get them back on the road to recovery!

How can you reduce your private health insurance premiums?

Include an excess

Many private health insurance plans, in common with other insurance products, include an excess option to lower premium costs, excesses can often start as low as £50. Obviously, in line with other insurance policies, the higher the excess, the more premiums can reduce by. However, it is important that the cost is not so high that it would be impossible to afford it, particularly if it applies to each treatment rather than each policy year. For example, Aviva offers a choice of £100, £200, £500, £1000, £3,000 and £5,000 excess, all payable per person per policy year. The discounts for these options range between 5% and 65%.

Limited hospitals

Premiums can often be lowered if customers agree in advance to a limited number of hospitals in the country, for example just a few in their immediate area. This is a particularly good option if they wish to lower costs without sacrificing care, particularly as most customers are likely to use only their local hospitals anyway.

Set a treatment limit

Rather than limiting the number of hospitals, it is possible instead to limit the treatment costs by, for example, agreeing to only benefit from a private operation when the NHS waiting time is over a certain length of time, usually six weeks. Another example would be to limit out-patient treatment; customers on Healthier Solutions from Aviva can choose to reduce the out-patient cover available as standard by selecting either a £500 limit, reducing premiums by 15% or £1,000 limit which would see a 30% reduction.

What influences people to buy?

- Negative media coverage such as waiting times, cleanliness, access to drugs and treatment
- A bad experience of the NHS
- Health scares
- Lifestyle changes such as having a family or a milestone birthday

What are key requirements?

- Quick treatment
- More choice with appointment times, consultants and hospitals
- Hospital environment
- Personal security

Musculoskeletal injury is the most common cause of pain in the UK. Back-Up from Aviva helped 4034 private health insurance customers speak with experts in rehabilitation to help them manage their condition and get them back on the road to recovery!
Modular policies
Much like cash plans, by opting out of certain elements of cover, premiums can be significantly reduced, allowing consumers to retain only the elements that are really important to them. For example, some might only be interested in in-patient treatment and happy to wait for out-patient treatment on the NHS.

No claim discount
In the same way as other types of insurance, many private health insurance products offer a 'no claim discount', which gives a discount off the following year’s premium if there are no claims made in that year. For each year that the customer does not claim, they will continue to receive the discount up to a certain amount. Customers may also qualify for a no claim discount if they are switching from one insurer to another.

Policies that reward you for being healthy
It stands to reason that maintaining good health means you are less likely to claim on your health plan and for this reason, many of the main providers offer policies with a wellness aspect. For example, Aviva UK Health offers MyHealthCounts as part of their individual health insurance policy and this rewards those customers who take steps to actively lead a healthy lifestyle with a reduction in their premium. Customers are also able to benefit from additional offers such as discounted gym membership at selected UK gyms and wellness checks.

““

When I saw that Aviva was offering MyHealthCounts I was interested. I thought I was generally OK but I had some concerns about diabetes because of my family history, and I’d gone up a trouser size.

So I visited the pharmacist and had a health check. I knew I was overweight but still had a bit of a shock when the pharmacist told me the results. I was obese and my cholesterol levels were a cause for concern. When I got home I checked my Q Score online. It was only 45 and calculated that I had a 20% chance of having a heart attack or stroke in the next 10 years if I were to do nothing. When I saw it put together like that it was very motivating.

I changed my diet straight away and started walking more and bought a cross-trainer.

After about a month, I had the full test again and my cholesterol had started to really improve. Now I’ve lost nearly two stone and my BMI is 25.9. The last time I checked, my Q Score had gone up to 75 and I’m back in my old size trousers.

I do have to push myself some days, but I feel refreshed after exercising and get a real sense of achievement.

Overall, it doesn’t feel like I’ve made any radical changes and I’m enjoying it. The best thing is my Q Score qualified me for a 12.5% discount on my premium next year.

““

Nigel Freebody, 59, Hampshire
How do the two plans match up?

<table>
<thead>
<tr>
<th>Cash plan</th>
<th>Private health insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designed to pay out fixed amounts of cash to help with everyday check-ups and treatment on the NHS or privately.</td>
<td>Designed to cover the treatment of acute medical conditions in a private hospital.</td>
</tr>
<tr>
<td>Dental and optical cover is a key standard benefit.</td>
<td>Dental and optical are not covered as standard but can be added for an additional premium on some policies.</td>
</tr>
<tr>
<td>The majority won’t pay for certain fees such as in-patient and day-patient specialist fees (other than therapy treatments such as homeopathy). There may also be a limit on out-patient treatment.</td>
<td>Offers benefits for specialist fees, diagnostic tests and hospital charges.</td>
</tr>
<tr>
<td>Provides reimbursements to help with prescription and other GP charges.</td>
<td>Won’t generally pay for primary care although may have limited cover.</td>
</tr>
<tr>
<td>May cater for emergency care but only a limited cash benefit available.</td>
<td>Won’t cater for emergency care.</td>
</tr>
</tbody>
</table>
Conclusion –
How cash plan and private health insurance can complement each other

Health cover can be perceived to be more complicated than many forms of insurance and consumers may feel confused regarding what is covered and the benefits they are entitled to. Understanding the role of each product or policy and tailoring it to individual requirements can help put consumers minds at rest.

Cash plans, with their focus on primary care, are designed to help spread the costs of unavoidable, everyday healthcare needs such as dental and optical check-ups and treatment and prescription charges. Private health insurance offers specialist diagnostics and private hospital treatment for customers who have been referred by their GP to a specialist.

By understanding the distinct offer of each product, customers can make informed choices about which, or potentially both, policies would suit their need. Our case study demonstrates how helpful it can be to purchase both policies.

For more information about Aviva’s products and services visit www.aviva.co.uk/health.

Case Study (fictional)
Sarah (35) and Mike (37) are typical Aviva Cash Plan and private health insurance policyholders. They are married with two children and were looking for peace of mind plus help with monthly budgets, making both of these product offerings ideal and cost-effective.

Mike recently claimed for a root canal procedure that would have cost £198 at an NHS dentist, a large amount of money to come out of the monthly budget in one go. As My Health Cash Plan has the flexibility to enable him to choose how to spend his combined dental & optical reimbursement of up to £250, Mike decides to claim his £198 back and has enough left over to claim towards any other dental or optical treatments he has later in the year.

The private health insurance policy has also recently played its crucial part in supporting the family when Sarah required an operation on her knee and their son needed a tonsillectomy. This offered the family assurance that they could have the operations swiftly and in a local private hospital.