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NORWICH UNION WELCOMES HEALTHCARE REPORT'S FINDINGS

Responding to the Interim Wanless Report, Norwich Union Healthcare has welcomed a valuable contribution to the debate on taking a long-term view of health care funding.

However, in a response compiled by NERA (National Economic Research Associates), Norwich Union Healthcare has questioned whether continuing with a tax-based system of financing will in fact become a burden that limits the effectiveness of the National Health Service. In addition, there are significant issues about how sustainable a tax funded system is over the next 20 years given the expenditure implications of the drivers identified by Wanless.

One of the UK's leading health care insurers, Norwich Union Healthcare, believes that financing and choice are closely linked and contribute to patient satisfaction.

Commenting on the report, Edward Bramley-Harker of NERA, said, " While tax financing might be an efficient form of collecting revenue and controlling costs it may not be the mechanism that best delivers the transparency and flexibility demanded by the patient.

"Evidence suggests that individuals like the greater choice offered by other health systems. Countries that have social insurance tend to be those with low rates of dissatisfaction, while centralised, tax-funded systems have higher levels of dissatisfaction."

Norwich Union Healthcare believes that there is a need to increase transparency, to strengthen accountability and place responsibility for funding choices closer to the individual.

"We believe that the NHS will not be able to develop the responsiveness necessary to adapt to the changing needs of the patients - customers like choice", commented Tim Baker, commercial director of Norwich Union Healthcare.

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To support this claim the company highlights the health systems in Spain, the Netherlands and Germany, all of which have elements of choice and consistently deliver higher satisfaction ratings than the NHS.

Another area highlighted by the Wanless Report is the need to encourage individuals to take greater personal responsibility for their own health care. Baker points out that choice would motivate the NHS to meet the needs of patients as well as encouraging improved efficiency.

The Wanless report highlights employers' reluctance to take on the burden of social insurance. However, Norwich Union Healthcare suggest that premiums could be levied on employees rather than employers.

A new model of health care provision for the UK, involving partnership between the public and private sectors, was put to the Government last year. 'Stakeholder Healthcare' was devised by NERA and makes optimum use of the existing and unique advantages of the NHS.

Under Stakeholder Healthcare the NHS would act as an insurer, competing with private health insurers to provide a standard package of services. Individuals would pay the insurer of their choice a premium based on community rating – i.e. a premium unrelated to their health risk. Income tax rates would reduce to reflect this. An independent body would oversee the funding of the system and distribute resources to the NHS and other stakeholder insurers.

Baker's concluding comments focus on the widely held belief that people are willing to spend more on their health care, but that current funding arrangements make this expensive and unattractive.

"A health service needs to be responsive to the needs, wants and expectations of patients. The NHS has traditionally never been quick to respond to the needs of patients

and consequently a significant gap has opened between what patients want and what they get. We believe that higher taxes alone cannot close that gap.

"We believe our proposals are a powerful mechanism for encouraging improvements on quality and service delivery, personal accountability, efficiency and responsiveness. Within the suggested framework the incentives for individuals to spend more on their health care are clearer and stronger and hence the likelihood of significantly raising overall health expenditure is increased.

"Transparency, choice and responsibility represent a far more promising way forward. We believe these can be achieved within an equitable and efficient framework.

"We must ask ourselves - can the NHS in its current form really adapt to meet the growing pressures forecast over the next 20 years."

Copies of Towards Stakeholder Healthcare are available from Norwich Union Healthcare 023 8037 2576.

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Notes to editors:

- Norwich Union Healthcare was founded in 1990 as the healthcare arm of Norwich Union and now provides a range of income protection and private medical insurance products to around 750,000 customers. It is one of the largest providers of income protection and private medical insurance in the UK.
- National Economic Research Associates (NERA) is an international economic consulting firm founded in 1961 to provide clients with practical research and analysis of economic and financial issues arising in public policy, regulation, litigation and management. In the health sector, NERA has worked across Europe for governments, policy makers and private sector clients, providing advice on all aspects of health sector financing and reform. NERA employs some 300 professional economists in offices in the United States and in London, Madrid, Sydney and Brussels.

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- CGNU's principal business activities are long-term savings, fund management and general insurance, with worldwide premium income and retail investment sales from ongoing business of over £27 billion and assets under management of more than £200 billion (as at 30 June 2001).
- Member of the General Insurance Standards Council
- Norwich Union's news releases are available on the internet at www.cgnu-group.com
- A selection of images are available from the CGNU Newscast site at www.newscast.co.uk
- Journalists wishing copies of the Towards Stakeholder Healthcare report should contact David Ross at the Norwich Union Press Office - 08703 66 68 65

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