



international
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health plans

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iFHP NEWS

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South Africans Acquire UK Hospital Group

South African healthcare company, Network Healthcare Holdings (Netcare), has announced its acquisition of a controlling interest in UK private hospital group, General Healthcare Group Limited (GHG) in a deal worth £2.2bn.

Netcare entered the British healthcare market in 2002 with the establishment of a subsidiary Netcare UK to focus on providing care to NHS patients via UK Department of Health contracts.

GHG is a leading provider of independent healthcare services and private acute care in the UK through its BMI and Amicus brands and owns and manages the majority of its 49 hospitals comprising 2,476 beds.

Michael Sacks, Chairman of Netcare, said that the acquisition would transform Netcare into one of the largest global healthcare organisations in the world.

Mark Adams Netcare UK CEO and former iFHP Council Member, while CEO of AXA PPP said: "The acquisition is a great opportunity and provides the scope to accelerate our development in the public and private sectors in the UK. We have a continuing commitment to be the NHS's partner of choice, providing sustainable solutions for the benefit of patients. Now we will also be further developing the private care market, serving both the insured and self-pay sectors and across all services we will deliver the highest possible standards of patient care."

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Barcelona Exceeds Expectations

Demand has exceeded expectations for the iFHP Barcelona conference, and the supply of accommodation has been exhausted at the Hotel Arts conference venue. The iFHP secretariat's original estimation of demand based on previous

conferences, has turned out to be well short of the level of applications and some 30% higher than that experienced in 2004 at San Diego.

Under the theme "Changing Healthcare – How will we afford it?" the conference

will this year feature a strong faculty of leading clinicians and health economists, focusing on the topic of rapid healthcare cost escalation over the next decade from emerging health technologies and changes in life expectancy, and the consequent challenge of affordability.

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Editorial

As you all know, the point of iFHP events is not just to have a good time in far flung places, though that is certainly not ruled out, rather to educate our members and exchange knowledge about the industry and its future prospects. This year in Barcelona we are concentrating on the specific theme of cost pressures from emerging technologies, in particular the implications of the virtuous circle of improving healthcare leading to increased life expectancy.

Most of what we will hear from various experts in different clinical fields is about increased cost and the explosion of potential new therapies, especially for cancer, resulting from the unlocking of the genome. The fact that this is becoming a well worn theme may have lulled some people into thinking it will never happen. I expect the talk we will hear from Professor Karol Sikora, former head of

the World Cancer Campaign, may disabuse us of any such complacency.

The demands will not come entirely from molecular science. Advances in scanning and associated technologies, as spelled out by Leonard Fass of GE Medical, may increase rather than decrease the reasons for carrying out expensive surgical and medical intervention in future, as a result of highly sophisticated diagnostic techniques making conditions treatable which we now regard as lost causes.

However, new technologies do not all lead to increases in cost. We will hear from geneticist and nurse, Elaine Warburton, who is currently setting up a European distributor of genetic cancer diagnostic tests, initially those produced by the Netherlands Cancer Institute. She will explain how large numbers of women suffering from breast cancer are subjected to brutal and distressing treatment only because we cannot learn enough about their cancers from conventional pathology: she will point out that only by using new-generation molecular diagnosis can clinicians be sure which conditions are aggressive and which sufferers will benefit from further expensive treatment following excision of tumours.

Those who obtain satisfaction from attacking the US healthcare system love to point to the forty million plus Americans who do not have formal health cover. They believe, or like to imply, that these people have no access to healthcare. But however unsatisfactory the overall situation, the reality is of course very different: some of these people get access, initially at least to the best healthcare on offer anywhere in the world.

It is often said that there is no political will to change this, because the forty million are among those Americans least likely to be registered to vote: a whole lot more are illegal workers who officially don't exist. However, plans pop up in various states from time to

time for "universal" healthcare. The latest of these I heard about was from the Governor of Massachusetts: the fact that the gentleman concerned considers himself a potential candidate for the White House may or may not be relevant. Healthcare remains a potent political issue in US politics, whether about the uninsured, the underinsured or the cost in general.

But if anyone in the US is seriously thinking of campaigning for a 'national health service' with universal coverage financed by general taxation, they need to think again, or even better spend some time in British hospitals. They would find 'patient focus' no more than a distant concept.

Most of us have only one speech in us. Mine is all about the absurdity of governments thinking they are qualified to run hospitals. I have made it, with variations, in various parts of the world in recent years, with little effect. You may be relieved to hear, however, that I have not been invited to make it in Barcelona.

Nor should we forget, in studying our own navels in the developed world, that in large parts of the rest of the world there is no real healthcare available to the great mass of the population: we could put this down to poverty, but in most of the countries concerned, far greater amounts than the resources needed to pay for such healthcare disappear into the numbered accounts of the ruling class. A real campaign to end governmental corruption would be a good first step in providing the world with healthcare.

Netcare Acquisition

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Netcare is undertaking the acquisition of GHG as part of a consortium with three leading UK-based investors, Apax Partners Worldwide LLP, London and Regional Properties and Brockton Capital LLP. The

consortium will acquire 100% of GHG for £2.2bn.

As a consequence of the deal Netcare's turnover, based on 2005 figures, is set to

increase by at least 89%, while the combined portfolio of hospitals and day care centres will rise to 120, with a total of over 11,500 hospital beds under management.

Australia

Medibank

Sale Announced for Next Financial Year



The Australian Finance Minister has announced that the Government is to sell Australia's largest health insurer Medibank Private in the next financial year. Competitors in the market have indicated their interest in the proposed sale estimated in the region of Aus. \$1bn. It has yet to be announced if the sale will be in the form of a trade sale or a flotation of the business which currently generates approximately Aus. \$3bn p.a.

Both MBF and BUPA Australia welcomed the decision. BUPA Australia MD Richard Bowden confirmed BUPA's interest in the sale saying, "BUPA Australia looks forward to participating in the sale process".

To accompany the sale, the Australian Federal Government is to introduce a range of changes to the PMI market to make it more attractive to both consumers and potential buyers. It is to abolish the two per cent lifetime surcharge on health insurance premiums, which was introduced to encourage younger people to take out private

health insurance cover in 2000. The government had imposed higher premiums on people who delayed joining a health fund after age 30 in order to encourage them to join and is judged to have helped 'force 2.6 million Australians' into private health insurance. The Government now feels that the 2% surcharge could be deterring young people who drop their health cover from rejoining at a later stage in life. The Government is considering waiving the surcharge once a person has been in a health fund for more than 10 years. It is also introducing a requirement for doctors to inform patients up front if they face gaps in reimbursement for out of pocket expenses when they undergo treatment.

AHIA Chief Executive Michael Armitage has welcomed the proposed gap fee changes "it is one of the biggest gripes members have".

A recent opinion poll carried out in Australia has suggested that most Australians oppose the upcoming sale of Medibank Private fearing that it would lead to higher premiums. The survey found that 64% of people oppose the sale and 74% believed health insurance premiums would rise if sold.

World News

USA



30 Million Medicare Beneficiaries Now Receiving Prescription Drug Coverage

In the USA Medicare recently announced that more than 30 million Medicare beneficiaries are receiving prescription drug coverage, including more than 8 million beneficiaries who have received new, individual prescription drug coverage since the program began. More than 93 million prescriptions were filled for these beneficiaries with drug coverage during March – averaging three million prescriptions filled per day.

In addition, 5.8 million people with Medicare get drug coverage from the Veterans Administration and other sources with prescription drug coverage equal to Medicare – bringing the total to approximately 35.8 million Medicare beneficiaries who are now receiving prescription drug coverage.

"With a month to go, we've passed our projections of 28 to 30 million enrollees in the first year, and we are intensifying our local outreach efforts to get more seniors signed up before the May 15th deadline," HHS Secretary Mike Leavitt said. "These strong enrollment numbers are a tribute to everyone in the national network of caring – all of our partners, community leaders, the State Health Insurance Programs (SHIPS), and family members, who have provided counselling and assistance to the millions of beneficiaries who are now taking advantage of this new benefit and saving money."

Barcelona Exceeds Expectations *continued from page 1*

iFHP chief executive Tom Sackville commented "I am very encouraged by the level of interest, especially given the consolidation of the industry and the fact that we now have a smaller number of members, albeit of much larger average size, than a decade ago. I would like to think that this is the result of the quality and topicality of the programme, rather than the venue, though both Barcelona and the Hotel Arts are unusually attractive!".

The conference will be opened by John de Zulueta, President of Sanitas, the leading Spanish health insurer and member of the BUPA Group. Mr Zulueta is well known in Spain for his writing and journalism, as well as his distinguished career in public relations and health insurance. He stepped down last year from the post of Managing Director of Sanitas to pursue other interests.



World News

Australia

Herceptin debate continues



The Australian government is to consider 'as quickly as possible' an official recommendation to subsidise the cost of Herceptin to extend its use to patients with HER2 – positive breast cancer. Herceptin is registered for use amongst Australian women with advanced breast cancer and this treatment is free of charge.

In the UK cancer campaigners have also called for clarity on who should be able to get Herceptin.

The conflict of opinion stems from the fact that the drug has not yet been licensed or approved by medical authorities for use in women with early stage breast cancer.

Roche, the company which manufactures the drug, is about to submit its application to European drugs authorities for Herceptin's licence to be extended for use with early stage breast cancer shortly.

The UK National Institute for Health and Clinical Excellence (NICE), which advises on the cost-effectiveness of drugs for the NHS, says it will fast-track its appraisal of Herceptin, once that license has been given.

Andrea Sutcliffe, deputy chief executive of NICE, said: "Once NICE issues guidance patients have equal access to effective drugs no-matter where they live".

UK



NHS Chief Executive 'Quits' as financial crisis deepens

Sir Nigel Crisp Chief Executive of the UK National Health Service has resigned from his post amidst an increasing crisis in the UK health service. Sir Nigel said in a statement that he was resigning to take early retirement but many observers believe he was forced to quit from his job on account of the increasing cash crisis in the NHS. Sir Nigel said "I am particularly saddened by the difficulties we have had over the last few months and the financial problems we are grappling with. As Chief Executive I wish to acknowledge my accountability for the problems just as I may take some credit for achievements."

The NHS is facing a financial deficit of more than £600m with some 7,000 job losses having already been confirmed.

UK Health Secretary Patricia Hewitt recently said in a BBC Radio interview that the NHS was enjoying its "best year ever" – a claim that has been attacked by nursing leaders and opposition MPs. Tory leader David Cameron said the NHS faced "a government-created crisis."

Ms Hewitt also said in the interview that patient waiting lists were at an all time low.

The Royal College of Nursing suggested 13,000 NHS posts were set for closure in England and said nurses and patients would be surprised by her description.

"Real patients and real nurses do not experience this as the best year ever," said

Dr Beverly Malone, general secretary of the RCN. "Patient services are being cut; nurses and other NHS staff are losing their jobs. If this is the best year ever, I dread to think what a year worse than this could look like."

Liberal Democrat health spokesman Steve Webb said the NHS was "over centralised and mismanaged".

"It is no good for the health secretary to pretend that care does not suffer when doctors and nurses are losing their jobs," he said.

Union Unison, meanwhile, is expected to announce support for its hospital staff members who may decide to take industrial action over cuts.

The Department of Health acknowledged it had underestimated the financial impact of new contracts for nurses and consultants by £310m but said the figure needed to be set against an overall annual NHS pay bill of £30bn.

Australian press has meanwhile reported that three British recruitment agencies have been awarded contracts by the Australian Government to start recruiting UK nurses. New South Wales urgently needs an extra 1800 nurses and that they had 'no choice' but to poach nurses from Britain.

Source BBC NEWS; Laing Buisson; The Sun-Herald



South Africa



MHG Response to the South African Budget

Better Health for More

In last year's budget review I argued that the government has set the stage for the introduction of social health insurance and bringing a larger proportion of the uninsured population into the health care system. The launch of Government Employees Medical Scheme (GEMS) in January 2006 has resulted in nearly 400 000 previously uninsured public sector employees and their dependents coming into the health care system.

At present only 5% of the South African population earning between R2000 and R5000 has access to cover. This number has to be drastically increased to ensure that the majority of people are brought into the health care system.

We must evaluate government proposals put forward in terms of health care system in the context of expanding health care cover. In November 2005, the government proposed changes to the current legislation governing medical aid contributions. In the current dispensation only the employer contribution qualifies for some preferential tax treatment. Individuals paying for medical contributions out of their own pockets do not currently receive any preferential treatment.

Under the new legislation all contributions will now qualify for preferential tax treatment.

Added to this is the provision that preferential tax treatment will be limited to contributions of R500 for each of the first two beneficiaries and R300 for each additional beneficiary. This essentially means that employers or employees will be taxed on contribution amounts in excess of R500 for first two beneficiaries and R300 for additional beneficiaries. This part of the legislation will force medical scheme members to rethink their packages. They may either opt to include more beneficiaries in their cover or opt for a less expensive medical scheme package in order to reduce the tax burden.

It could then be argued that if this will result in more people being covered then, the legislation will have a positive consequence. If on the other hand it will result in members choosing cheaper membership options or others cancelling the cover, the legislation will have disastrous effects, both for the industry and economy in general.

Overall the government is still on track to achieving social solidarity in the healthcare.

It is a bit unfortunate that the Minister of Finance did not allow costs incurred on preventative measures to count as tax-deductible healthcare expenses.

The treasury must be commended for introducing tax benefits for employees receiving employer-provided medical treatment on and off-site. This will encourage more employees to participate in such programs as HIV and AIDS interventions which will ultimately contribute in keeping medical costs down as most members will understand how to reduce incidence of illnesses.

The correct and balanced allocation of resources will always be a difficult issue in SA, which has so many pressing demands that must be addressed concurrently. It is, however, indisputable that a nation of sick people will result in a weakened economy with low GDP.

However, to ensure that we have a healthy population we need knowledgeable and well-trained health care workers. In my view the budget does not go a long way in addressing this aspect. If left unattended, the shortage of health care workers will impact negatively on the medical costs.

Abridged from an article by Blum Khan, CEO Metropolitan Health Group, published in the budget supplement of the Financial Mail.

World News

Australia

Ramsay Sells Care Homes

Australia's largest private hospital provider Ramsay Health Care has sold its remaining residential care homes to Domain Aged Care Group in a sale valued at Aus \$67 million. The company has sold the care homes division to focus on its hospital operations according to a report in The Sydney Morning Herald.

A company spokesman said "Together with the proceeds of the sale in February of the home care business..., Ramsay has realised gross proceeds of approximately \$75 million for its aged care business" This divestment completed the strategic review of the Ramsay portfolio." The sale follows Ramsay's acquisition of Affinity Health in April. Managing Director Pat Grier said "After the acquisition of Affinity which doubled the size of our hospital portfolio we decided we were unlikely to invest further in aged care whilst there were such attractive opportunities remaining through investing in our portfolio of hospitals" He also said that there would be an announcement of further plans to invest in "capacity expansion and enhancements at a number of high quality hospitals."

Source The Sydney Morning Herald

UK

BUPA Group

BUPA Group has reported profits of £357.4 million for the year 2005. This was the sixth year running of recording record profits. BUPA International recorded £126.4 million profit contributing 35% to Group results.

Chief Executive Val Gooding said "Last year was a significant one for BUPA. We expect 2006 to be another year of growth. There is real momentum benefiting our customers and employees in all our markets."

Source BUPA Today



Ireland



Risk Equalisation Challenged

The legality of the proposed risk equalisation scheme (RES) in Ireland is being challenged in the Irish courts. Irish Health Minister Mary Harney announced in December 2005 that the Risk Equalisation scheme would commence on 1st January a decision now being challenged by BUPA. BUPA has also challenged the decision at the European Court in Luxembourg.

Vhi Healthcare welcomed the announcement of the RES decision at the time. Vincent Sheridan, Chief Executive, Vhi Healthcare said, "The decision is a victory for consumers and a great day for Vhi Healthcare members. It will stem the haemorrhage of funds leaving the Irish healthcare system by way of windfall profits. It will also encourage competition in all sectors of the market."

BUPA has claimed it would incur liabilities of €11m in 2006, which would rise to €161m over three years forcing it to leave Ireland.

It has also claimed that the imposition of RES was an interference with the right to private property under Article 43 of the Constitution and was a barrier to it carrying on its business.

RES is a form of compensation in the health insurance industry under which companies with younger subscribers would compensate those with an older membership. The Irish Government believes that it is essential to underpin the concept of community rating where everyone pays the same for similar cover regardless of age.

A judgement on the case is expected this month.

www.vhi.ie wins 'Best Health Sector Website'

www.vhi.ie was announced winner of the 'Best Health Sector Website' Award at the Irish eGovernment Awards which recently took place in Dublin.

Judges evaluated the hotly contested category against a range of criteria including

- Improved public access to services and information
- Supports 'start to finish' online interactive services
- Provides cost and resource savings

- Designed to be accessible to both citizens and public service users

www.vhi.ie is one of Ireland's largest health websites with over 300,000 visits per month and 116,000 registered users.

Commenting on the Award, Declan Moran, Director of Marketing and Business Development, Vhi Healthcare said, "We are delighted to accept this award and are very proud of the site and its loyal followers. We set ambitious targets and are constantly reviewing and enhancing www.vhi.ie so that it continues to be relevant and fresh for those who visit it."

iFHP Member Wins Technology Award

Blue Cross Blue Shield of Massachusetts (BCBSMA) has been awarded the 2006 Innovation in Health Information Technology Award for its e-health programs by the America's Health Insurance Plans (AHIP) Foundation.

AHIP is the national association representing nearly 1,300 member companies providing health insurance coverage to more than 200 million Americans. BCBSMA received recognition for the company's programs that encourage and support providers in the adoption of information technologies in their practices through both collaboration with competitors and individual initiatives. They include:

- Electronic patients visits pilot with RelayHealth
- Electronic Medical Records/Medical Decision Support (EMR/MDS) pilot programs

- Electronic prescribing collaborative with Tufts Health Plan and Neighborhood Health Plan
- MedsInfo-ED, a collaborative of BCBSMA with other key players in the community through an organization called MA-SHARE (Simplifying Healthcare Among Regional Entities) to enable providers to obtain the medication history of patients in the ER

"BCBSMA has committed more \$50 million and more than six staff solely to these efforts. Additional associates are involved as a significant portion of their jobs. Our experience shows that adoption of new technologies can be accelerated by collaborative, health-plan sponsored programs offering technical and financial support," said Andrew Dreyfus, BCBSMA Executive Vice President for Health Care Services.

iFHP UPDATE

New Zealand

The Health Funds Association of New Zealand, the industry body representing the majority of New Zealand's Health Insurers, has appointed Claire Austin as its new Executive Director.

Claire Austin has long-standing experience as a Chief Executive in the New Zealand health sector. A former Chief Executive of the Families Commission, The Royal New Zealand College of General Practitioners, and Age Concern New Zealand, Ms Austin has also held a range of national and international strategic advisory roles in health, change management and ageing policy.

"With 33% of the population having health insurance, the important role of the private health sector cannot be underestimated" Ms Austin said. "There is a growing international trend of governments turning to the private sector to co-operate for health gain. The Health Funds Association can play an important role in facilitating new private sector roles that strengthen the performance of the health system and ensure better health outcomes for New Zealanders," she said.

iFHP

Following the announcement of George Halvorson's appointment as President of iFHP last year, three vice President roles have subsequently been confirmed. They are

During the Easter break, George Halvorson, iFHP President and long time member, currently Chair and CEO of Kaiser suffered a mild heart attack and underwent emergency surgery in Minnesota. He is not expected to be sufficiently recovered to attend the Barcelona conference, where his duties will be undertaken by other members of the Council of Management.

Mr Halvorson circulated the following statement "As you know, I suffered a mild heart attack last Friday that resulted in

Canada

After a tightly contested six-candidate race, Vancouver surgeon Brian Day has emerged as British Columbia's nominee to lead the Canadian Medical Association in 2007-08.

Day's nomination as president-elect was announced in February by the British Columbia Medical Association (BCMA). It must now be ratified by General Council, the CMA's governing body.

Day, an orthopedic surgeon, is a newcomer to medical politics at the CMA level, but he is a longtime CMA member, has chaired the BCMA's Committee on Private Billing, served as president of the Arthroscopy Association of North America and has been a member of the Canadian Orthopaedic Association's Board of Directors and chair of its Membership Committee.

He is also the medical director at Vancouver's Cambie Surgery Centre, and in 2005 served as president of the Canadian Independent Medical Clinics Association.

Va Gooding Chief Executive of BUPA;
Terry Smith Chief Executive HCF Australia Ltd;
and Carlos Kubik CEO & General Manager Banmedica Chile.

quadruple bypass surgery on Sunday. The good news is the damage to the heart muscle seems to be minimal – less than 5%. So if I follow good health practices, recovery should be excellent. I took an aspirin within five minutes of noticing the symptoms, and was in the hospital within thirty minutes. That response time apparently prevented more severe damage to the heart. I will be out of the office for up to two months."

We all wish George well in his recovery.

Honourary Life Membership

Russell Schneider formerly Chief Executive of the Australian Health Insurance Association has been awarded Honourary Life Membership of the International Federation of Health Plans.

This is an honour conferred on those who are deemed to have made a significant contribution to the Federation over many years. In a letter to Russell Schneider, George Halvorson said "Your many achievements as Chief Executive Officer of the Australian Health Insurance Association in successfully promoting the industry against determined political opposition, and the example this has set internationally were also recognised."

More recently it was announced that Russell Schneider had been appointed as an independent, non-executive Director of Hospital Contributions Fund of Australia Ltd. The Chairman of HCF Mr Greg Gardiner said he believed Mr Schneider's experience, expertise and enthusiastic commitment to health care for all Australians would add further value to the highly experienced HCF Board.

Russell Schneider said he was delighted and honoured to accept the appointment to what he regarded as Australia's leading health fund. HCF had played a significant role in the development of Australia's health care system since 1932 and had distinguished itself in recent years by developing policies and products, which specifically provided what its members really need.

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