

## New Members

**Banmedica SA** runs one of Chile's largest Isapres (pre-paid health insurance providers) and its largest healthcare enterprise. The group's principal activity is to provide for the medical needs of employees through its health insurance systems and own clinics. Banmedica also operates in Colombia and in Argentina.

**Principal Contact:** Carlos Kubik Castro, Chief Executive  
Banmedica SA  
Av. Apoquindo 3600 12th Floor  
Santiago  
Chile

**Blue Cross and Blue Shield of Massachusetts** is an independent not for profit health plan with 2.6 million members, and New England's largest health plan. As a result of its solid market position, in 2001 the company endowed its own foundation, the Blue Cross Blue Shield of Massachusetts Foundation with the aim of expanding high quality health care access to the under served residents of Massachusetts.

**Principal Contact:** Cleve L Killingworth, President and Chief Operating Office  
Blue Cross Blue Shield of Massachusetts  
Landmark Center  
401 Park Drive, Mail Stop 01/05  
Boston, MA 02215

**PZU Group** is the leader of the Polish insurance sector, with strong and trusted brand, and one of the largest financial institutions in Central and Eastern Europe. The company's history goes back to 1803. The PZU Group (life and non-life) has 27,1 million policies with around 50% market share in Polish insurance. The 2003 net profit of the group amounts to 350 million Euros. In addition the PZU Group includes an investment fund company and pension fund. The major shareholders are the Polish government, Eureko (of which Achmea is a leading member), Bank Milenium and PZU's employees.

Health insurance is a small but growing strategic part of future PZU efforts.

**Principle contact:** Stanislaw Borkowski  
Director, Health Insurance Department  
PZU  
Al Jama Pawla II 24  
00-133 Warszawa  
Poland

**Discovery Health** is the largest open medical scheme in South Africa with over 1.5 million members. In September 2003 the group's US subsidiary Destiny Health launched its partnership with Tufts Health Plan in Massachusetts, followed by a further US partnership with Guardian Life. More recently in April 2004, Discovery announced its joint venture with the Prudential which heralds the company's entry into the UK private health insurance market.

**Principal Contact:** Sean Mattison  
Discovery Health  
155 West Street  
Sandton 2146  
South Africa

**Individual Member**  
Roger A Bowie  
10 Grampian Road  
St Heliers  
Auckland 1005  
New Zealand

## EDP Goes East

After two successful years of the USA week of the iFHP Executive Development Programme being hosted by Kaiser Permanente, the 2005 class will break new ground. It is proposed that the first two week leg will comprise Australia and the US East Coast, covering the very distinct health insurance markets of New York and Massachusetts. Further details will be circulated when the call for 2005 nominations is advertised later in the year

iFHP News is edited by Andrea Craig  
International Federation of  
Health Plans  
46 Grosvenor Gardens  
London SW1W 0EB UK

**Telephone:** +44 (0)20 7881 9281  
**Fax:** +44 (0)20 7730 9234  
**E-mail:** andrea@ifhp.com  
**Web:** www.ifhp.com

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# iFHP NEWS

the newsletter of the International Federation of Health Plans

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## Top US corporations combine to cover uninsured

**45 of America's largest employers including IBM and Ford Motor are proposing a solution for millions of American part time or contract workers who do not qualify for health insurance. They are proposing that they pool all their uninsured workers and find an insurer willing to offer them a variety of health policies at prices lower than the employees could get individually. The group would be a mix of approximately 4 million people.**

Randy McDonald senior Vice President of Human Resources at IBM said, "we are tired of waiting for people to figure out what to do about the uninsured."

The number of uninsured Americans is growing and is now estimated at more than 43 million. Employers who offer their workers health benefits are also affected because the cost of paying for uninsured patients medical costs is reflected in insurance premiums. The idea formed by the HR Policy Association, a group of senior company executives, may result in a new insurance pool by early next year. Purchasing pools can fail if not enough workers of average health join the group.

Aetna, CIGNA and UnitedHealth Group have confirmed that they are working with employers on the proposals.

America's Health Insurance Plans (AHIP) President and CEO Karen Ignagni said in response:

"We welcome the initiative of the employer community in addressing the issue of uninsurance in America. By making this important issue a priority, employer leaders are putting their considerable clout to work building momentum for action".

Last month, the AHIP Board of Directors released recommendations for addressing the challenge of providing coverage to this diverse population and our industry is actively engaged in providing assistance to policymakers as they develop proposals. In June, our Board will be putting forward specific ideas on meeting the challenge of making existing risk pooling arrangements more viable, while, at the same time, ensuring that such arrangements do not adversely effect employees who have health care coverage".

Source USA Today

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## South Africa for 2005 CEO Forum

At a recent meeting in Cape Town, chaired by Rod Gush of Bankmed, iFHP CEO Tom Sackville and key South African members Medscheme Discovery and MHG, agreed outline plans for an important iFHP meeting.

The next CEO Forum will be held in Cape Town and Johannesburg during the week of 23-27 May 2005. The Forum will cover amongst other topics a comprehensive analysis of innovative practice in the

7 million member South African health insurance market, international opportunities for outsourcing, the local healthcare scene and the current regulatory trends.

## Editorial



Meeting with a group of our distinguished Medical Directors recently, I became aware of one of their number speaking proudly of his company's cover for "alternative" therapies. In my job, there is no mileage in challenging paid-up members: as far as I am concerned they are all, like the Holy Father, infallible. However, in a momentary lapse following a long flight, I heard myself musing out loud about possible inconsistencies

Does not our industry rely on the strict application of the concept of Evidence Based Medicine as the first line of defence against the growing multitude of expensive, unproven treatments? Can we operate dual standards, simultaneously accommodating the dafter misconceptions of our target consumers, without making a rod for our own back?

We are not alone. Muddled thinking is all the rage as fads and fashions invade the temples of scientific rigour. Otherwise perfectly rational, well-educated people walk around chewing on vitamin supplements as though their lives depend on it, encouraged by doctors disinterested in or ignorant of the glaring lack of indication that these little pills do any good at all, or indeed the growing body of clinical evidence that they do not.

More worryingly, however clear it becomes that only through the improvement of maize and other staples can we have any real hope of feeding the ever growing population of the Southern hemisphere, the arguments for GM Crops are swept away on a tide of middle-class neurosis, tinged with anti-American sentiment. Meanwhile birth control programmes in the sub-Continent are starved of resources to appease the religious scruples of a few rich Northern folk who in their own lives seem to be right at the other end of the fertility spectrum.

Worse is to come. I am still recovering from the shock this weekend of reading the headline "Top scientist gives astrology backing". Dr Percy Seymour, a former leading astro-physicist had apparently published a book purporting to prove that the position of the planets does indeed have an effect on development of children in the womb.

While this (up till now, at least) distinguished academic claimed to have no truck with star charts, sales of his book clearly depended on the opposite impression being created in the mind of the potential reader. He sought to summarise his findings thus "It means the whole solar system is playing a symphony on the Earth's magnetic field".

Dr Seymour is from the University of Plymouth, in the west of England: our American friends must be relieved he never thought to take ship. If he and his ilk now speak for science, I shall steer my children towards state-subsidised courses in the noble art of astro-plumbing.

## Banknotes

**Mark Bassett outlines some further highlights of the last six months at the World Bank as iFHP Fellow.**

I spent January and February taking a "Concept Note" on voluntary health insurance (a sort of outline business case for research) through the Bank's technical review processes. This occurred as part of a wider review of my team's proposed work on health financing.

Over the past three months our new Director has been re-organizing the Division (Health, Nutrition and Population) and negotiating resources for the coming few years. I took this as an opportunity to gain some more "country experience". As luck would have it three ideal opportunities came my way.

In March, and June, I joined joint World Bank/IMF missions to Accra, where the Ghanaian Government had requested some assistance in developing a new public health insurance and at the same time was revising the regulation of mutual and commercial

health insurance organizations. Falls in the price of cocoa and gold (key export commodities) in recent years have left many people in rural Ghana unable to pay even modest co-payments to access public health services. A blend of premiums, indirect taxation and social security savings are being mobilized to reverse rapid increases in child mortality and adult morbidity. My contribution focused on reviewing the draft secondary legislation and helping colleagues finalize plans to develop the necessary institutions to run the new schemes and regulatory arrangements.

In May I joined a wonderful World Bank Institute mission to Tehran where we taught a mix of Iranian civil servants, hospital managers and academics about the UK and Singapore experiences of hospitals reform over the past twenty years.

The current Iranian Government is economically more liberal than those immediately prior and the civil servants attending our course drew some of the top

policy makers in the country into serious and lengthy discussions about some of the topics raised.

On top of these trips I have been liaising with colleagues about health reforms in Hungary, building relations with WHO and ILO colleagues in Geneva, lecturing in Athens and Helsinki and liaising with economic colleagues in Wharton and Zurich. I have continued to enjoy a regular dialogue with former iFHP president Roger Bowie in New Zealand who has been generous sharing his industry experience.

*Mark Bassett*  
Senior Health Financing Specialist  
and iFHP Fellow

## Newt Gingrich speaks at Vhi Euro Health Conference

**Former speaker of the US Congress, Mr Newt Gingrich was amongst the impressive line-up of speakers who participated in a major international conference entitled 'Transforming Healthcare in the New Europe' which took place in Dublin last month.**

The conference investigated and highlighted the challenges and opportunities facing the healthcare sector as ten new countries joined the European Union in May 2004.

Mr Noel Daly, Managing Director of

ReedSmith Healthcare Consulting and Chairman of the Conference Organising Committee said: "We are delighted that we have been able to bring together so many key decision makers across Europe and beyond to explore the future of healthcare in Europe during Ireland's EU presidency.

"The conference will examine a range of critical issues facing healthcare, the reforms and developments in public-based healthcare delivery, and opportunities for private sector healthcare providers to play an important role in the health of Europe.

Transforming Healthcare in the New Europe was officially opened by Michael Martin TD, Minister for Health and Children and President of the EU Council of Health Ministers. The keynote speaker was Mr Newt Gingrich, former Speaker of the US House of Representatives and CEO of the Gingrich Group. A European perspective to 'Transforming Healthcare' was then provided by Professor Alan Maynard, Professor of Health Economics, University of York, UK.



## WORLD NEWS

## Netherlands

If the Dutch healthcare system is not drastically changed, the Dutch will spend more than one quarter of their income on health care in 2020 according to a report by the Dutch consultancy firm Roland Berger. Roland Berger predicts that due to developments in technology and the ageing population, this will lead to an increase in costs of up to 100 billion Euro (50 billion in 2002).

Source ZN Weekly

## Australia

Ramsay Health Care has purchased Benchmark Healthcare Group. The acquisition for A\$125million includes the purchase of 10 hospitals in Victoria and South Australia and brings Ramsay's portfolio to 35 hospitals. It adds about A\$200 million to Ramsay's annual turnover taking it to around A\$1 billion. The deal is expected to be completed by mid July.



## UK/South Africa

Care UK/Afrox a wholly owned subsidiary of Care UK plc and South African healthcare company Afrox have signed a £56m contract with the Department of Health for a 28 bed facility in the South of England. The contract is to provide orthopaedic surgery and outpatient treatment for five years and will involve the construction of a new facility with theatres and critical care unit. CUAH will invest £11m in the project.



# HIA publish risk equalisation report



The Irish Health Insurance Authority (HIA) recently published its first report and recommendations in relation to the Risk Equalisation Scheme (RES) for private health insurance, which came into effect in July 2003.

Under RES three health insurers, BUPA Ireland, Vhi Healthcare and the ESB Staff Medical Provident fund, made returns for the period July to December 2003. The HIA report recommended that RES payments should not be commenced at this time for three reasons;

- There was insufficient evidence of a threat to market stability
- The value of the market positive equalisation adjustments (MPEA) was low and as a result the potential benefits that could accrue for health insurance customers directly from the transfer of funds would appear to be small
- The potential benefits of commencing RES payments now are outweighed by uncertain competitive consequences, which could arise.

In response to the publication of the report, Vhi Healthcare Chief Executive Vincent Sheridan said:

"The HIA has manifestly failed to ensure the application of Community Rating across the market. Vhi Healthcare, which operates solely to serve the interests of its members, will be seeking legal advice with the intention of securing a Judicial Review of this decision.

"In the past Vhi Healthcare has had to impose the cost of financing Community Rating on to its members in order to maintain the stability of the health insurance market. This was only justified on the basis that it was consistent Government policy that a Risk Equalisation Scheme would be established to share this cost across the market. This decision by the HIA changes the situation completely."

Bupa Ireland also responded to the publication of the HIA report saying:

"The competition provided by Bupa Ireland has brought choice, increased benefits, lower prices and improved services. We believe RES is anti-competitive and anti-consumer. The absence of RES protects the consumer by ensuring real competition and we will continue to challenge it as a state aid through the European Courts."

# South Africa single state medical scheme under discussion

**South Africa's first industry briefing on its pending single state medical scheme was held in April in Pretoria. The meeting was attended by industry stakeholders keen to get to grips with the tender process and structure of the new scheme, which will be by far the largest medical scheme in SA, covering between 1,8m and 2,5m people – about a third of all medical scheme members.**

The scheme, which is set to shake up the South African healthcare administration business, is targeted for 2005 and will require all public employees to join. There are currently about 450,000 public servants spread across several schemes, who will be consolidated onto a single scheme that will also extend cover to the 437,389 state employees who presently do not qualify for medical aid. Because of its size, several administrators will be required to run it.

Blum Khan, head of Metropolitan Health Group, administrator of the some of the country's largest workforce medical schemes welcomes the Government's plan.

He anticipates that the new scheme will pave the way for social health insurance and that proposed reforms on tax subsidies and risk equalization will form a cornerstone to a new model of healthcare.

"There is an urgent need to provide uninsured employees with access to medical aid cover and this will take co-operation between different players in the industry" Khan said.

The state intends to use its purchasing power to ensure volume-based discounts and risk-sharing deals from private hospitals and providers, and thereby lower the cost of healthcare.

Meanwhile, large SA administrators are scrambling to improve their black empowerment credentials in the hope of attaining a slice of the huge medical scheme. The public service and administration department has created the expectation that unless administrators are 26%-35% black-owned they will not qualify. This has incentivised large, white-owned funders to re-examine their black empowerment credentials.

## WORLD NEWS

## USA/UK



**UnitedHealth Group announce European Company.**

UnitedHealth Group has announced that it has established a new European company, led by a British management team. UnitedHealth Group is already working on pilot programs with the National Health Service in the United Kingdom.

The new company will develop tools and services to support the provision of care. These services would include the Evercare programme, currently piloted with the NHS, to identify chronically and seriously ill patients at risk of hospital admission and provide the care necessary to prevent the need for a hospital stay.

UnitedHealth Group also announced the new company's management team which will include Richard Smith former editor of the BMJ as chief executive officer and Simon Stevens, currently the Prime Minister's health policy advisor who will be the company's president.

Lois Quam a senior executive at UnitedHealth Group said, "Our organisation will partner with health agencies, clinicians, managers and patients to provide better care programmes. We are delighted to be already successfully working with the NHS and over time hope to deliver programmes in other countries."

## UK

A recently published report suggests that the UK faces a dramatic increase in the number of people living with cancer over the next 20 years. Better treatments will keep more people alive but an ageing population will mean that many more people will develop the disease. The cost of treating as many as three times more cancer patients will put severe strains on the NHS. There is a risk that treating so many people will bankrupt the NHS creating a two tier system with the poor left behind to fund their own treatment and left as a cancer underclass.

Source The Times



# Looking back on the future of health insurance in Saudi Arabia

## WORLD NEWS

### South Africa/UK

#### Discovery and Prudential attack UK health market



South African iFHP member, health insurance firm Discovery Health, has formed a joint venture with UK insurer Prudential plc to provide private medical insurance in the UK. Discovery which is 64 per cent owned by South African banking group FirstRand said it expected to launch the Joint Venture in early 2005. Discovery said that it expected the number of people with insurance in Britain "to increase from 6.7 million people to eight million by 2006".

Source Reuters News.

### Canada



#### For profit hospitals less efficient

Hospitals run for profit are "less efficient" than not for profit hospitals according to a report published recently by the Canadian Medical Association. Researchers found that for profit hospitals have higher administrative costs and are top heavy. Earlier research also showed that for profit centres "have higher death rates" because they cut corners. The research was carried out in American hospitals and over 350,000 patients were involved in the study.

Source The Times

### UK



Bupa Hospitals has announced the sale of 10 of its 35 hospitals. The company plans to close the smaller hospitals, standardise treatments and invest £100m over three years to modernise its remaining hospitals and operating systems in order to treat patients more efficiently. Clare Hollingsworth, Managing Director of Bupa Hospitals said "the move is the result of a review that has led the Group to conclude that we have to operate our business differently."

David Maltby Managing Director of BUPA Middle East, provides an update on his previous report on changes to health insurance legislation in the Middle East.

In 1999 the Saudi Arabian government issued a royal decree requiring all non Saudi-employees to have private health insurance. The byelaws were published in June 2002. In October 2003, a royal decree was issued setting out the principles for an insurance industry. Only six months later, the byelaws detailing the application process to allow insurance companies to legally set up in Saudi Arabia were released. Combining these four pieces of legislation may lead one to assume that things are accelerating, and the future is bright for health insurance in the kingdom. But is that necessarily true?

The chicken and egg situation of the past two years must surely have been a frustration for the Council for Co-operative Health Insurance

(CCHI) – the body responsible for regulating medical insurance under the 2002 law. With only one licensed insurer in the kingdom, they have had to stand back and await capacity in the market before they can enforce their law. All insurers other than the government body NCCI are effectively illegal – and mainly operate out of either Bahrain or Dubai

The publication of the 2003 and 2004 legislation may serve to change this. By allowing Insurance companies to establish a legal footing in Saudi Arabia, capacity will soon exist for CCHI to force market growth. But can the regulatory bodies themselves create market growth?

Saudi Arabia has a past reputation – and arguably one they are trying to change – for passing regulations and not implementing them. Laws once passed are not always enforced by the relevant authorities, thereby allowing the status quo to prevail. In the

insurance sector, there are some hopeful signs that things are changing.

The Saudi Arabian Monetary Agency (SAMA) has built an enviable international reputation for their regulation of the kingdom's banking sector. There is little to suggest that they will not do likewise as the main regulator for the insurance sector. It is expected that by year-end, sufficient companies will have registered for a license to allow SAMA to start excluding and closing down illegal operators.

WTO accession – something Saudi Arabia is aspiring to, will require a free and buoyant financial services market. With banking and the stock market already established, there is pressure to see the insurance sector mature quickly. Again a positive sign.

For health insurers, there is a second enforcement hurdle, that of CCHI. Enforcement of the health insurance

regulation will require close support from the Ministry of Interior through the allocation of work permits only to individuals holding a valid health insurance policy.

As yet the links between CCHI and the Ministry of Interior are unproven. CCHI have been exceptionally positive about their role in developing the regulatory framework, and the licensing process for applying health insurers. But without enforcement by a collegiate approach to government, health insurers will continue to wallow in a static market. This cannot be good for CCHI, or indeed for SAMA in building the overall insurance sector.

There is sound financial and sociological thinking behind the regulatory framework. Commitment and sound delivery will serve only to strengthen Saudi Arabia's credibility as a country reducing its reliance on oil reserves.

## Conference update **New keynote speaker for San Diego**

Christopher Rodrigues, newly appointed world-wide President of Visa International has accepted our invitation to address the iFHP San Diego Conference. Educated at Cambridge and Harvard Business School, Mr Rodrigues oversaw the transformation of

leading British financial services provider Bradford and Bingley plc from a \$30 billion mutual building society to a quoted \$60 billion niche lender with 500 branches across the UK. In his earlier career he worked at McKinsey & Co, American Express, and as

chief executive of Thomas Cook. He has also served as a director of the UK Financial Services Authority. He will speak about brand and customer loyalty issues, and other insights gained from his varied and highly successful business career.

## Obituary

Robert van den Heuvel

14 June 1926 – 20 April 2004

All the supporters of the first hour of our Federation will be sad to learn that Robert Van Den Heuvel just passed away.

Robert was a life-long supporter of not-for-profit mutual care in society and through his long membership and Presidency of the Association Internationale de la Mutualité and through our own Federation, where he was the longest serving member of Council, he was in a unique position to promote the concept. He never tired of pursuing that task and countless people, both nationally and internationally have reason to be grateful for his efforts.

He attended the Charter Meeting of the Federation in Australia and served with distinction on Council for almost a quarter of a century. Those of us who knew him remember his vast knowledge, his humanity, his boundless enthusiasm and above all his great warmth of personality. Despite his high functions, he remained the kind of simple and attractive person that everybody liked to talk to and listen to. He was a perfect facilitator of "networking within the Federation." It was a particularly cruel irony that someone of such vitality and intellect should have been visited by such a dreadful infirmity.

All the Belgian "Mutualités" are deeply conscious of his enormous contribution to a health insurance system that achieves a delicate balance between freedom of choice and cost containment, discipline and quality of care, role of the Authority and sound competition between the actors. He was the best and most enthusiastic advocate of that system.

He is greatly missed by all of us who were privileged to be amongst his friends and to Marise and to his extended family, we send our deepest sympathy.

Daniel Ferette

*Directeur Adjoint du Cabinet de la Ministre des Classes Moyennes – former Secretary General Union Nationale des Mutualités Libres and:*

*Thomas Ryan  
iFHP President 1992-1994; Member of Council of Management; Chief Executive Vhi Healthcare 1983-1994.*