CHEAP ROUTES TO VIP HEALTH

PRIVATE HEALTH INSURANCE CAN BECOME PROHIBITIVELY EXPENSIVE AS YOU GET OLDER. FIND OUT HOW YOU CAN KEEP YOUR PREMIUMS DOWN

We're fortunate enough that, in the UK, an operation or stint in hospital doesn't come with the anxiety and pressure of a huge medical bill. For most people, the NHS can be relied upon to deliver full care when you're sick.

But seeking private treatment can mean the difference between having to grit your teeth and wait four months for a knee-replacement operation, or being referred and treated in a nearby private hospital within a few weeks. Perhaps that's why 42% of Which? members complement their NHS options with private medical insurance (PMI) – which gives you greater choice over where, when and by whom you're treated for routine or *acute* conditions.

Despite the peace of mind that PMI can provide, 28% of members have given it up in the past five years, many due to the high cost of premiums as they got older. So, are there ways you can keep your cover and cut costs?

In this article, we arm you with four tactics to reduce the price of PMI; from increasing your excess, reducing your cover, changing your *hospital list* and switching insurer. We've identified ways to shave hundreds off your premium, without compromising on cover you need.

THE COST OF PMI

It's a sad fact of life that as we get older, we're more likely to suffer from poor health. And when it comes to PMI, older policyholders are more likely to make a claim, so insurers charge a dramatically higher price for cover.

A healthy 35-year-old living in the Midlands could expect to pay between £681 and £883 a year for a *comprehensive policy* from the largest four insurers – Aviva, Axa, Bupa and Vitality Health. A 65-year-old, however, faces an initial premium of between £1,722 and £2,497 – almost three times as much, on average.

And after you've bought your policy, the premium is reviewed annually – so almost inevitably increases. Of the 1,711 PMI owners we surveyed, 69% had seen their premiums increase over the past five years. More than a quarter of those (28%) saw their premium rise by more than 30%, with a few members reporting hikes of 200% and more. So, how can you cut costs?

OPTIMISING YOUR EXCESS

The first tactic we looked was adding an excess to your policy. This might be a fixed amount, say £500. Alternatively, some insurers such as WPA and CS Healthcare offer what's called 'co-payment'. You commit to paying a proportion of a claim – say 25% – up to a fixed amount, such as £1,000.

Adding a large excess can knock hundreds off the premium. It can be a bit of gamble; after all, the more you claim, the higher the chance you'll pay back what you'd saved. But this isn't always the case. With the larger providers, you can add in an excess that's only payable once each year, rather than with each claim, so you'll know from the start the maximum amount you'd have to pay in that year, regardless of how many claims are made.

We tested this by posing as customers of 10 different ages (from 35 to 80) and getting quotes for comprehensive policies from eight insurers. We varied the excesses to see the effect each had on the price.

The trick worked with four insurers – Aviva, CS Healthcare, Saga and Vitality Health. The highest premium we came across – £3,756 from Vitality Health for a 75-year-old man – was reduced to £3,022 with the inclusion of a £500 excess. If our policyholder made no claims that year, he'd have banked £734. If less lucky, he might pay some or all of the £500 excess on claims, with further costs picked up by Vitality Health. This still leaves a £234 saving.

The graph below shows the range of savings we were able to make. The biggest was for a 70-year-old with CS Healthcare – adding a £500 excess resulted in a £905 saving (or £405 if you made a claim that year).

> "ADDING A £500 EXCESS RESULTED IN A £905 SAVING WITH ONE INSURER"

REDUCING COVER

There's no point in being insured for services which you feel the NHS provides well. And most policies let you tailor cover to focus on the aspects of your health you feel are most important.

Reducing cover can whittle down the price, but exercise caution here – go too far and you risk stripping out valuable elements you may miss in the future. Of the members who've done this, less than half (42%) said they were happy with their choices, and almost a third regretted their decision.

Core and outpatient cover

The core of a PMI policy covers 'inpatient' surgical procedures (where you'll need to stay in hospital overnight) and 'day patient' treatment (where you're admitted, but for no longer than a day). 'Outpatient' cover includes specialist consultations, medical scans and non-surgical treatments.

You can cut premiums by lowering the amount an insurer will pay for outpatient care. Among the four largest insurers, cutting outpatient care altogether saved between £544 (Aviva) and £800 (Axa) for a 65-year-old living in the Midlands.

You can also retain a moderate version of the cover. Reducing outpatient provision from unlimited to £500 a year saved £438 with Bupa. With Axa, a limit of three consultations a year saved £469.

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WHAT YOU'LL LEARN

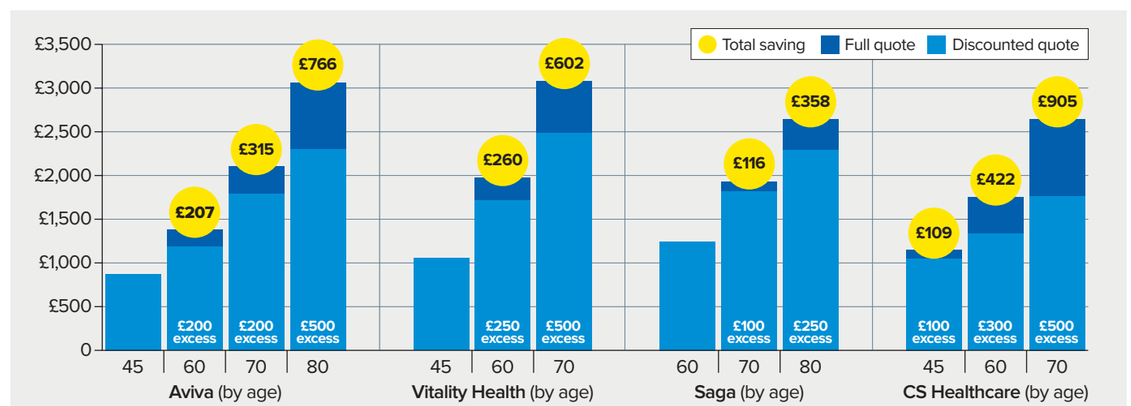
We've looked at ways to cut the cost of private medical cover for older people, and asked thousands of customers to tell us which insurer offers the best service. Here, find out:

- When private medical insurance can come in handy
- How much it can cost, and how to bring down the premiums without compromising your cover
- How to manage the costs of private healthcare as you get older

PHOTOGRAPHY GETTY IMAGES

SAVINGS MADE BY ADDING AN EXCESS

The graphs below show how much we managed to cut down the annual premium of a PMI policy by adding in an excess. The figures in yellow show the total we managed to save including the excess, while the blue columns show the premiums before and after adding an excess.



Based on a single policyholder in the Midlands with comp. cover

Waiting options

If you're more concerned with speed of service over the other benefits of private healthcare, most insurers offer a cheaper 'waiting option'. This means that your PMI provider will only step in if the NHS can't provide treatment within a set time – usually six weeks. Of the larger insurers, these are offered by Aviva and Axa, and brought our quotes down by £272 and £541, respectively.

HOSPITAL LISTS

With PMI you can use a pre-agreed network of hospitals. Most insurers allow you to reduce or extend the selection, and this can affect your premium. Switching from Bupa's 757-hospital 'Extended Choice' list to its 147-hospital 'Essential Access Network' list reduced our 65-year-old's premium by £120. Upgrading instead to include hospitals in central London cost £43.

The biggest price difference we found was with Aviva, where moving from its extended list of 313 hospitals to a sparser offering of 69 NHS Trust hospitals, almost halved the premium from £1,974 to £1,021.

If you're happy to travel, or live in a region that is well served, these changes may be worth the discount. But if there aren't many hospitals, it could mean the nearest one is out of your region entirely. We examined the lists of hospitals published by the largest insurers offering a selection (Aviva, Bupa and Vitality Health), comparing their locations with data on where people live, to see how far patients would need to travel.

> "MOVING FROM AVIVA'S EXTENDED LIST TO ITS SMALLER NHS TRUST LIST ALMOST HALVED THE PREMIUM"

For the UK as a whole (excluding Northern Ireland), the lists we looked at all placed a hospital, on average, within 11 miles, and switching between a hospital list with one provider would increase that average journey distance by between one mile (Vitality Health) and five miles (Aviva). But this wouldn't be everyone's experience – so you should check carefully.

In England, a switch between Bupa's Extended to Essential list would nudge more than two million people over 20 miles from their nearest hospital. And as our chart opposite shows, in Scotland, over half (57%) of the population live within 10 miles of an Aviva Extended hospital. But the closest any live to the smaller Aviva Trust hospital is 23 miles.

But if you live remotely, extra coverage might not be worth paying for. The longest travel distance in England was a 73-mile journey from Allerdale to Newcastle on Bupa's Essential List – only reduced to 57 miles by upgrading to Extended.

SWITCH TO SAVE

Much like car or home insurance, switching provider and changing how your new policy is set up could net you a decent saving.

When you take out PMI, there's an agreement in place about which illnesses and conditions you are and aren't covered for – a process called underwriting. There are two types:

Full medical underwriting

You give the insurer a detailed account of your medical history. Based on their review of this, they provide a document explaining the types of conditions the policy covers, and a specific list of those you aren't covered for.

Moratorium

Here, you don't provide your medical history when buying the policy. But if you've had one of a number of conditions, such as heart disease or diabetes, you will be ineligible to join. And any other conditions that you've had, or received treatment for, within a set period (usually five years) before the policy are excluded for a 'moratorium period' (usually two years) after the policy starts. After that, the pre-existing conditions are covered – provided they've not recurred during the moratorium.

So, if you bought the policy today, but had been treated for a hip condition four years ago, the policy would cover you for a related condition after six years of being treatment and symptom free. But if you'd experienced either during that time, the moratorium period would roll on for another two years.

Which should I choose?

Taking out a moratorium policy is quicker and easier, but, as one member observed, the exclusions can seem 'vague and broad'. You'll have to judge which, of a general set of criteria, apply to you – only to be confirmed when you claim.

Fully medically underwritten policies tell you which conditions are and aren't covered. And because they're based on a detailed review of your history, insurers may decide to cover conditions that would be excluded under moratorium.

Insurers can also accept customers under 'Switch' or 'CPME' (Continued Personal Medical Exclusions) terms. This third form of underwriting gives you the assurance that the new insurer won't exclude any conditions that the previous insurer covered.

THE BEST AND WORST PMI PROVIDERS FOR CUSTOMER SATISFACTION

What PMI primarily offers over your existing NHS healthcare is choice and level of service – so a PMI provider that doesn't deliver well in these areas probably isn't giving you value for money.

We surveyed 2,140 Which? members with individual and group policies, asking them to rate PMI providers for customer satisfaction.

CS Healthcare tops our table with an impressive customer score of 83%. Targeted at civil servants and their relatives, this insurer was highly rated for keeping customers informed of costs.

Vitality Health (formerly PruHealth) trailed with a customer score of 50%, and was awarded just two stars out of five for value for money.

		Value for money	Range of cover included	Clarity of the claims process[a]	Dealing with your claims over the past three years[a]	Informing you of costs you need to pay[a]	Customer score
1	CS HEALTHCARE (91)	★★★★	★★★★	★★★★	★★★★★	★★★★★	83%
2	EXETER FRIENDLY (68)	★★★★	★★★	★★★★	★★★★★	★★★★	75%
3	WPA (70)	★★★★	★★★★	★★★★	★★★★★	★★★★★	73%
4	CIGNA (41)	★★★★	★★★★	★★★★	★★★★★	★★★	68%
5	SIMPLYHEALTH GROUP (101)	★★★★	★★★	★★★★	★★★★★	★★★★	68%
6	SAGA (100)	★★★	★★★	n/a	n/a	n/a	62%
7	BUPA (644)	★★★	★★★	★★★	★★★★	★★★	61%
8	AVIVA (235)	★★★	★★★	★★★★	★★★★	★★★	58%
9	AXA PPP HEALTHCARE (378)	★★★	★★★	★★★★	★★★★★	★★★★	58%
10	VITALITY HEALTH (100)	★★	★★★	★★★	★★★★	★★★	50%

FOR MORE INFORMATION ON CHOOSING PRIVATE MEDICAL INSURANCE, VISIT **WHICH.CO.UK/MEDICAL**

Footnotes: n/a indicates sample size too small to provide star rating. **a** Rated by members who have claimed within the past three years

HOSPITAL DISTANCES

This table shows the proportion of the population of England, Wales and Scotland living within 10 miles of their nearest hospital; comparing the most comprehensive and limited lists offered by each insurer.

	AVIVA	Bupa	VitalityHealth
Comprehensive list:	314	760	304
Smallest list:	69	147	218
England	89% / 49%	91% / 75%	89% / 87%
Wales	67% / 3%	76% / 46%	62% / 55%
Scotland	57% / 0%	55% / 39%	56% / 56%

PMI ALTERNATIVES

With many locked out of PMI by the sheer scale of the premiums, insurers have been launching products to appeal to those on tighter budgets.

CS Healthcare recently launched 'Healthbridge' – a 'light' version of PMI with a yearly cover limit of £15,000, excluding most outpatient cover and heart and cancer treatment. WPA's Multi Family Healthcare plan, meanwhile, allows up to six related families to be insured on one policy – spreading the cost between the members much as a ***group scheme*** would in a workplace.

Some members have taken the other option of 'self-insuring' by putting a regular amount into savings to finance their own private treatment. This can work, provided your expectations are realistic. Many common procedures paid for by insurers cost around £10,000 or less. But there's no guarantee that your treatment would be within this price bracket.

One popular alternative to PMI is a health scheme run by the mutual Benenden. Anyone can become a member, regardless of age or medical history, and all members are charged a flat monthly rate of £8.45. In return, Benenden is able to arrange some diagnosis and treatment services through its 22 hospitals – on the proviso that they can't be delivered quicker by the NHS.

It's worth noting that Benenden's service is discretionary, so it has no contractual obligation to honour a claim. And it's only intended for routine procedures.

TAKE ACTION

REVIEW YOUR LEVEL OF COVER

If your PMI is becoming too expensive, consider what you want from your insurance and what is currently in your plan. If, for instance, you'd like to be insured privately for surgery, but don't mind whether it's a private consultant or NHS doctor that refers you, having extensive outpatient cover might be over-insuring. Discuss your needs with your insurer, asking them to explain what any changes will mean.

CONSIDER ALTERNATIVES

Despite a sense of premiums spiralling, there is choice in the market. Check the insurers that do well in our customer satisfaction table, left, and see whether any could offer affordable alternatives to your present cover.

But remember, price isn't everything. Consider in detail how the new insurer's cover compares with what you have. If it looks too good to be true, it probably is.

CONSULT WITH A BROKER

We recommend speaking to a qualified PMI broker. Their job is to ensure you get a decent price and cover to meet your needs, and also to make sure you're clear about the finer points of the product you're buying. The Association of Medical Insurance Intermediaries (AMII) and the British Insurance Brokers Association (Biba) can direct you to a whole-of-market specialist. See contact details, right.

WHERE CAN I GET HELP?

The Which? Money Helpline is a team of experts who can discuss how different types of insurance products work, and what your options are as you get older. Give them a call on **01992 822848**.

WHERE CAN I FIND OUT MORE?

IN *WHICH? MONEY*

- ***Private medical insurance***, January 2013, **p14**
- ***Healthcare cash plans***, October 2012, **p12**
- ***Income protection***, August 2012, **p14**

ON WHICH.CO.UK

- Choosing medical insurance: **which.co.uk/medical**
- Dental insurance reviewed: **which.co.uk/dental**
- Protection insurance: **which.co.uk/protection**

OUTSIDE OF WHICH?

- **British Assoc. of Insurance Brokers**: biba.org.uk
- **Assoc. of Med Insurance Intermediaries**: amii.org.uk
- **Find a broker**: unbiased.co.uk