

John Pigott
Inquiry Director
Competition Commission
Victoria House
Southampton Row
LONDON WC1B 4AD

Our Ref: [X]

Your Ref:

Date: 2 May 2012

Telephone:

Facsimile:

Dear Mr Pigott,

Private Healthcare Market Investigation

As mentioned in my letter to Christiane Kent of 25 April, [X] is keen to assist the CC in its market investigation. We understand that the CC is in the process of considering the OFT's reference decision and reviewing material provided to it by the OFT. [X] recognises many of the issues identified by the OFT in its reference decision and looks forward to providing a submission in response to the CC's issues statement in due course.

[X] made a number of submissions to the OFT during the market study, which may already have been reviewed by the CC investigation team. We thought it would be useful, however, to draw your early attention to one issue that we consider to be of material importance, namely the approach to assessing local markets in this sector, and in particular the assessment of the competitive dynamics in Central London.

From a geographic perspective, [X] agrees with the OFT that markets display local characteristics. [X] believes that evidence will suggest that the vast majority of patients are and wish to be treated locally, where this is medically appropriate. [X] also considers that a PMI provider offering insurance to customers located in a particular area has little choice but to include in its network hospitals located in that area. Moreover, once included in the network, the patient, now covered by insurance, may have little incentive to switch to a cheaper but more distant hospital. As a result, [X] is not necessarily persuaded that a drive-time analysis similar to that applied in many retail cases (and used by the OFT in its reference decision) can be applied to an insurance based private healthcare market.

[X] also considers that there are a number of distinct features in Central London that merit close scrutiny. London is, simply by virtue of its size, a significant market. It is also of particular strategic importance to corporate PMI accounts. A high proportion of major corporations will have personnel based in Central London, including senior staff who are likely to have significant influence over the selection of a PMI scheme. [X] experience indicates that patient flows into and out of London are asymmetric (in part due to the fact that many patients attend initial consultations close to their place of work rather than their home) and that the branding of a

number of facilities in Central London plays a greater role than in other areas. [X] therefore considers that Central London may form a separate relevant market for the purposes of this investigation.

In [X] view, the local analysis applied by the OFT did not fully capture the dynamics of this sector. In particular, the distinct features of the Central London area were not fully assessed by the OFT. [X] would therefore encourage the CC to consider these issues when developing its issues statement and questionnaires.

[X] looks forward to discussing this and other issues further with you in due course. If you have any immediate queries do let me know.