Health and the Economy

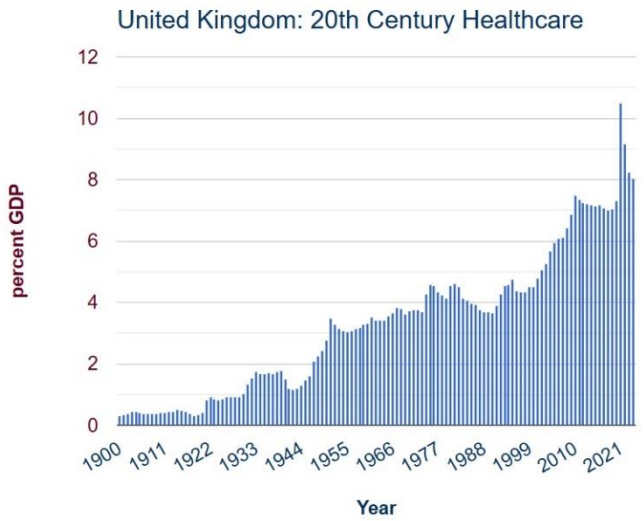
The case for mandatory private health insurance for wealthy older people, accessible by the NHS in relation to its use

"I've been making the NHS's case that we need significant and sustainable funding increases to meet the demographic challenges we face, and the prime minister completely appreciates that."

Jeremy Hunt - June 2018

The quote above reflected the former Chancellor's views when he was Secretary of State for Health, and they illustrate the almost insatiable demand for funding from the NHS, operating as it does under the conditions of universal welfare which date back to Clement Attlee's government. Needless to say, when Jeremy Hunt became Chancellor he took no significant action to address the challenge.

But the books must be balanced, as Rachel Reeves has stated, and while healthcare is the main call on public finances, it does also provide the most significant potential solution, if we are prepared to move on from that Attleean universality.



Government spending on health and social care is colossal and growing and it is primarily driven by the outdated concept of universal 'free at the point of delivery' provision.

Health spending accounted for £193.3 billion in 2024-25, or 43% of all central government departmental expenditure. This chart shows how its demands on GDP have increased over the past 75 years.

(image: https://www.ukpublicspending.co.uk/healthcare_spending).

While the need for this approach was wholly justified in the wake of the second world war, it is no longer appropriate for today's society with its large proportion who are 'mass affluent'. It's a system that handicaps targeted help to those in most need while at the same time giving free service to those who are well able to pay for their healthcare.

In 2022, there were approximately eight million people in the United Kingdom with active private health insurance policies, accounting for c. 13% of the population; and at that time about 53% of people said that they would like to invest in some form of health insurance scheme for their employees, or for themselves and their families. However private health insurance is primarily taken out as an employee benefit which falls away at retirement: precisely the stage when healthcare demands start to increase significantly.

Research published by Statista provided the age distribution of adults with private medical insurance throughout the United Kingdom in 2017. It shows how the percentage of cover drops from 25% in the 45-54 age group, to 16% for 55-64s, 11% for 65-74s, and then just 5% for those aged 75 and over. Precisely at the stage when the demands of healthcare costs are at their highest and when people are at their wealthiest, the state is left carrying this burden:

NHS Patients - Age & Use Profile in England, with Private Medical Insurance usage							
Age	Male	Female	Notes	Total FCEs	Population	FCE per Pop'n	% with PMI
0 - 4	786798	647555	Birth	1434353	3,239,447	0.44	
5 - 9	179297	141224		320521	3,539,458	0.09	
10 - 14	146984	137023		284007	3,435,579	0.08	
15 - 19	164469	257230		421699	3,115,871	0.14	4%
20 - 24	200581	483857	Childbirth	684438	3,472,522	0.20	4%
25 - 29	243178	700800	Childbirth	943978	3,771,495	0.25	15%
30 - 34	276363	765585	Childbirth	1041948	3,824,652	0.27	15%
35 - 39	302212	612718	Childbirth	914930	3,738,209	0.24	23%
40 - 44	319438	445881	Childbirth	765319	3,476,303	0.22	23%
45 - 49	413141	510339		923480	3,638,639	0.25	25%
50 - 54	540028	619146		1159174	3,875,351	0.30	25%
55 - 59	731918	738588		1470506	3,761,782	0.39	16%
60 - 64	717075	676482		1393557	3,196,813	0.44	16%
65 - 69	816326	736365		1552691	2,784,300	0.56	11%
70 - 74	1014439	924317		1938756	2,814,128	0.69	11%
75 - 79	919280	877422		1796702	2,009,992	0.89	5%
80 - 84	806790	839860		1646650	1,449,189	1.14	5%
85 - 89	555219	674326		1229545	885,343	1.39	5%
90+	304434	511772		816206	521,067	1.57	
Unknown	60524	103278		0	0		
Totals	9498494	11403768		20738460	56,550,140	0.37	
			Cost per FCE	£ 8,096			
Sources: NHS Digital & Statista							

Using 'Finished Consultant Episodes' as a yardstick and excluding birth impact, the average quantum of healthcare by annual cohort more than doubles from 140,482 for those aged up to 64 to 299,352 for those aged 65 and over; if the £193.3.9 billion cost of healthcare is broken down on the same basis, the aggregate cost of looking after the 10 million people in these 30 years of old age is the same as looking after the 37 million aged up to 65.

Private medical insurance for those aged 70 or more is not cheap: speaking from experience, for a relatively healthy couple it can be estimated at c. £7,500 pa. But where retirement follows a successful working life in terms of both income and capital, there is a significant proportion of the population who could reasonably be asked to carry this burden: ONS figures in 2022 showed that median individual wealth rose from £138,346 across ages 16-64 to £305,099 for people aged 65 and over. HM Treasury would be well-placed to establish those able to pay mandatory private health insurance premiums.

NHS frontline services would not be affected by these arrangements, because those paying premiums would still be able to call for healthcare 'free at the point of delivery'. But NHS accountants would be able to draw down payments from their private medical insurers to meet the costs of care for those for whom this cover was required. Greater use may well impact their premiums: so no doubt people would be encouraged to stay fit and healthy in body and mind for as long as possible.

Because the impact of health care costs is so weighted In favour of the elderly, I would estimate that sufficient funds would be recovered by this mandatory private health insurance for wealthy people to enable inheritance tax receipts (£8.2 billion in 2024/25) to be wholly ring-fenced for the benefit of low-income young people, thereby helping to halt the injustice whereby young people are paying so heavily for the health costs of those old folk who are well able to afford it.

A final thought — if a programme of training for old age were to be introduced at retirement, we should be able to maintain a much improved standard of health for old people generally: thus significantly reducing the extent of those calls on the NHS at this stage of life. These courses could be offered by the private medical health insurers, who would need little encouragement from Government to raise their profile.

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