



**Informing Progress - Shaping the Future**

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### **Mental health impacts in the UK health insurance market**

Mental health continues to grow in prominence in the UK, not only in public discourse, but also in the design and use of private medical insurance (PMI) as demand for tailored, accessible healthcare continues to increase. Traditionally, PMI focused on physical ailments, hospital care and elective treatments, but mental wellbeing is now a core feature for many insurers and employers. This transformation reflects evolving attitudes to mental health, rising demand for professional psychological support and mounting pressure on public services.

At the beginning of 2025, the UK health insurance market was valued at £8.6 billion, with PMI representing over £7 billion. The market continues to expand, with forecasts anticipating it to reach £12.5 billion by 2030.

Recent data from major health insurer Vitality shows the rapid shift in how policyholders use PMI to access preventative forms of mental health care. Its *2025 Health Claims and Insights Report* highlighted that claims related to mental health soared by 119% between 2019 and 2024, and use of talking therapies, such as counselling and cognitive behavioural therapy (CBT), rose by 167% during the same period. Claims related to anxiety and depression increased by 68% and 53%, respectively, illustrating how mental health needs are growing across society, and public services are struggling to meet them.

Furthermore, the latest analysis from independent employee-benefits consulting firm Broadstone finds that the incidence of PMI claims (the rate at which individuals with PMI

policies make claims) rose from 21% in 2021 to 27% in 2024, signalling a reliance on workplace coverage for treatment. The proportion of PMI claims spending attributable to mental-health treatment climbed by 5% between 2022 and 2025.

This rebalancing of claim profiles, with mental health now accounting for a growing share of expenditure, highlights a cultural acceptance of seeking support and underscores a fundamental change in how people view health insurance. For many policyholders, covering mental wellbeing is no longer an optional extra, but a core part of a PMI policy.

At the same time, insurers are changing their product offerings, pricing and channels of care, with many PMI plans now incorporating remote talking therapies or digital wellbeing pathways. Recognising that mental health strongly affects productivity and absence rates, some employers are proactively expanding coverage to include counselling and therapy, often earlier and before issues escalate.

### **Drivers of change**

Several converging factors explain this shift towards utilising PMI to access mental health treatment.

- **Public awareness**

Public attitudes toward mental health have changed significantly, and increased media coverage, advocacy by charities and NGOs and the impact of events such as the COVID-19 pandemic have helped normalise conversations around anxiety, depression, stress and neurodiversity. Mental wellbeing is now widely recognised as central to overall health, and insurers, employers and individuals have responded accordingly, with a growing appetite for coverage that reflects this changing mindset.

- **NHS waiting times**

The heavy burden on the public health system, especially for mental health services, has pushed many patients toward private care solutions. Individuals facing long NHS waiting lists for talking therapies or community-based mental health care are attracted to the speed and discretion offered by PMI, which boosts demand for insurance-based mental health provision.

- **Workplace wellbeing**

Employers are increasingly viewing mental health support as a business imperative that can help address issues such as absence, presenteeism, staff turnover and burnout, which carry tangible costs. Providing access to therapy or counselling via workplace insurance packages can help mitigate those risks. As a result, many corporate benefits programmes include mental health coverage as standard, thereby expanding the demand base beyond individuals buying PMI privately.

This is a structural shift from a market perspective, meaning mental health is no longer a niche add-on but a fundamental component of modern health insurance, and insurers must adapt to remain relevant.

### **Impacts on insurers**

The shift toward mental health care demand presents challenges and opportunities for insurers. On the cost side, the rising frequency of claims, particularly for therapies and ongoing mental-health support, increases exposure and may put upward pressure on premiums. There is also a change in the claim profile, with fewer claims for traditional hospital or inpatient care and more for outpatient care, early intervention, and therapy. Vitality reports that as mental health claims surged, claims for inpatient and outpatient physical care decreased between 2019 and 2024 by 41% and 17%, respectively. This transfer could force insurers to reallocate resources, investing more in networks of therapists, digital therapy platforms and preventive tools, and less in hospital-based care.

The opportunities for insurers include a chance to reposition themselves as partners in holistic health rather than just treatment providers. Integrating digital CBT, mental health apps or remote counselling allows insurers to create value for clients, differentiate their offerings and attract a younger, more wellness-oriented demographic. In addition, employers looking to support staff wellbeing while managing costs may find mental-health inclusive PMI more cost-effective than repeated sick leave, recruitment, or lost productivity.

### **The government response**

While the private insurance market adapts, public policy is also changing, potentially with significant effects for insurers, claimants, and benefit frameworks. In December 2025, the Health Secretary announced an independent review of the rising number of mental health, neurodivergent and behavioural condition diagnoses, such as depression, ADHD and autism.

The review, commissioned by the Health Secretary, Wes Streeting, will be led by clinical experts to investigate whether there is overdiagnosis, whether everyday stress is being pathologised, and whether the current rise in benefit claims is sustainable. Government figures suggest 4.4 million people of working age currently claim sickness or incapacity benefits, an increase of 1.2 million since 2019. Mental health and behavioural conditions now account for approximately 1.3 million claimants, or 44% of all disability benefit claims.

The declared objective is to contain what ministers argue is a ballooning welfare bill, but for the health insurance market, this raises several complex questions on whether the findings of the review will influence how mental health is treated in the public and private systems. Furthermore, a reduction in publicly funded mental health support could drive further uptake of PMI for individuals seeking timely therapy and treatment, or increased scrutiny could lead to attempts to shift more responsibility back onto private insurers, potentially leading to debate over access, equity and coverage boundaries.

While it is too early to say what the impact will be, the announcement has already provoked concern among mental health advocacy groups such as Mind, which warns that the review could undermine the progress made in destigmatising mental illness and reduce access to support for vulnerable people. Mind has argued that the proposed benefits changes risk deepening the UK's mental-health crisis, especially if welfare reforms reduce support while demand remains high.

### **Implications for the health insurance sector**

If diagnosis thresholds intensify or publicly funded mental health services become harder to access, PMI is likely to become more attractive. As a result, insurers with expanded mental health offerings may see additional demand. Also, employers might respond by enhancing benefits packages, particularly if staff absenteeism or mental health-related turnover shows an increase.

With mental health becoming a larger part of claim activity, insurers must reassess underwriting risk to align with mental health trends. The costs of therapy, counselling or long-term behavioural/mental health support may not follow the seasonal patterns or discrete events typical of inpatient treatment. Instead, they may become chronic, recurring costs, a pattern that may lead to premium increases, revised definitions of coverage or new tiers of plans offering mental health support as optional extras.

However, as more people expect holistic, accessible care and employers increasingly prioritise mental wellbeing, insurers need to balance commercial risk with market demand and avoid overly restrictive policies that may cause reputational damage or diminish competitiveness.

The shift towards PMI offers an opportunity for innovation, as digital-first health solutions becoming centralised presents insurers who integrate technology and streamline access the chance to position themselves to execute the transition with more success. This aligns with the broader trend in the UK health insurance market, which is already skewed towards flexible, holistic and technology-enabled wellbeing support, as opposed to traditional hospital-based care.

Finally, the government's review of mental-health diagnoses raises the potential risk of insurers being drawn into political and ethical debates over access to care, overdiagnosis and social welfare if diagnostic criteria are tightened or public funding becomes more constrained. Insurers and employers may come under pressure to offer mental-health coverage and promote early intervention, prevention and workplace wellbeing strategies, rather than simply underwriting reactive treatment.

### **Broader societal context**

The changing role of mental health in health insurance emerges against a backdrop of growing public concern over welfare costs and rising numbers of benefit claimants citing mental illness or neurological conditions.

Analysis by the Institute for Fiscal Studies (IFS) suggests more than half of the increase in disability benefit claims among working-age adults since the pandemic is attributable to mental-health or behavioural diagnoses. By 2024, the proportion of disability-benefit recipients whose primary condition was mental or behavioural had reached 44%.

This data has led the government to conclude that reforms are necessary to preserve the sustainability of the welfare state. Mental-health advocates, however, warn that such reforms risk reducing access to care for people who genuinely need it. The charity Mind has argued that diminishing support would be “*disjointed and ultimately counterproductive*”, especially if delivered with cuts to benefits and lower publicly funded support.

### **Future developments**

The outcome of the government review is expected in mid-2026 and could shape the course of mental-health provision and insurance in the UK over the coming months and years. If diagnosis criteria tighten or access to public mental-health services is scaled back, private insurers may face increased demand for services the NHS cannot manage.

A continued move in this direction will further change the profile and frequency of claims, requiring a reassessment of premium pricing and underwriting models. Insurers will need to ensure a balance between affordability and the level of support offered, potentially revising policy terms or introducing clearer parameters around the number and type of therapy sessions covered.

As businesses continue to recognise the link between mental wellbeing, productivity and workforce stability, they may look for more comprehensive group policies, enhanced Employee Assistance Programmes or integrated referral routes that complement community-based services. Finally, insurers will need to remain alive to the wider regulatory and social context, as the political debate surrounding welfare reform and mental-health diagnostics may intensify expectations for insurers to act responsibly, support prevention and avoid contributing to the over-medicalisation of everyday stress. Navigating these pressures will be essential as the market adjusts to a reconfigured mental-health ecosystem.

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