



An tÚdarás Árachas Sláinte
The Health Insurance Authority

Health Insurance

Market Report for 2020

The Health Insurance Authority (HIA) regulates the private health insurance market in Ireland.

The purpose of this report is to provide consumers, industry and other interested stakeholders with information on the Irish health insurance market during 2020. This market insight is based on data provided by the three open membership health insurers operating in the Irish market. i.e.

- Irish Life Health
- Laya Healthcare and
- Vhi Healthcare

The analysis excludes data on people who are serving initial waiting periods, people who are insured with Restricted Membership Undertakings and people who are insured with products that are not subject to the health insurance stamp duty and the age-related health credits, for example cash plans.

More information can be found on www.hia.ie



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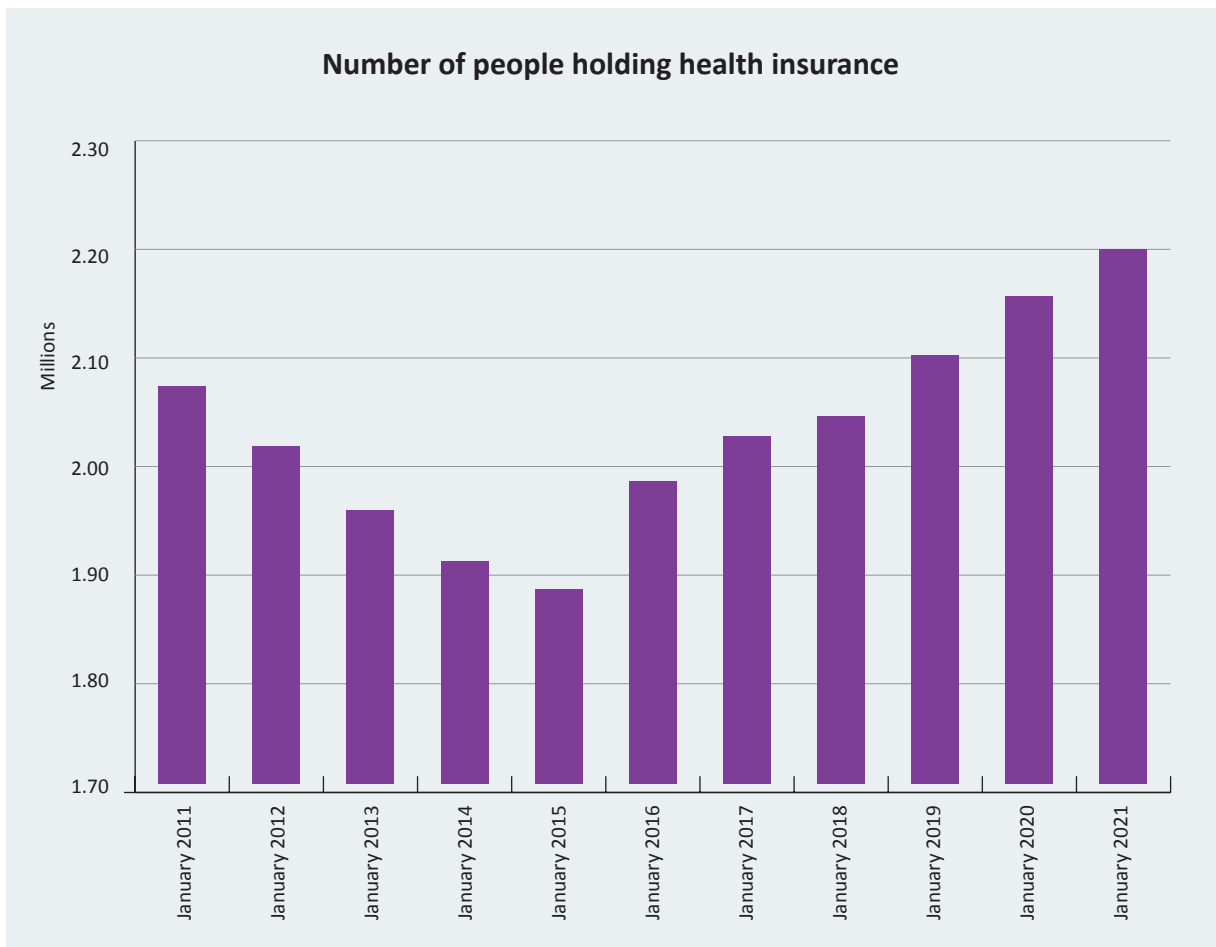
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Who is insured?

As at 1 January 2021, 2.2 million people had health insurance contracts with Irish Life Health, Laya Healthcare and Vhi Healthcare. Based on population estimates from the CSO this represents 44% of the Irish population. This excludes 14,000 people who held insurance contracts at that time but were serving initial waiting periods. When you take out health insurance for the first time, or it has been more than 13 weeks since you last held private health insurance, you may have to serve waiting periods before you are fully covered, but accident and injury will be covered immediately.¹

The chart below shows the change in the numbers holding health insurance contracts since 2011 and highlights a small increase year on year from 2015.

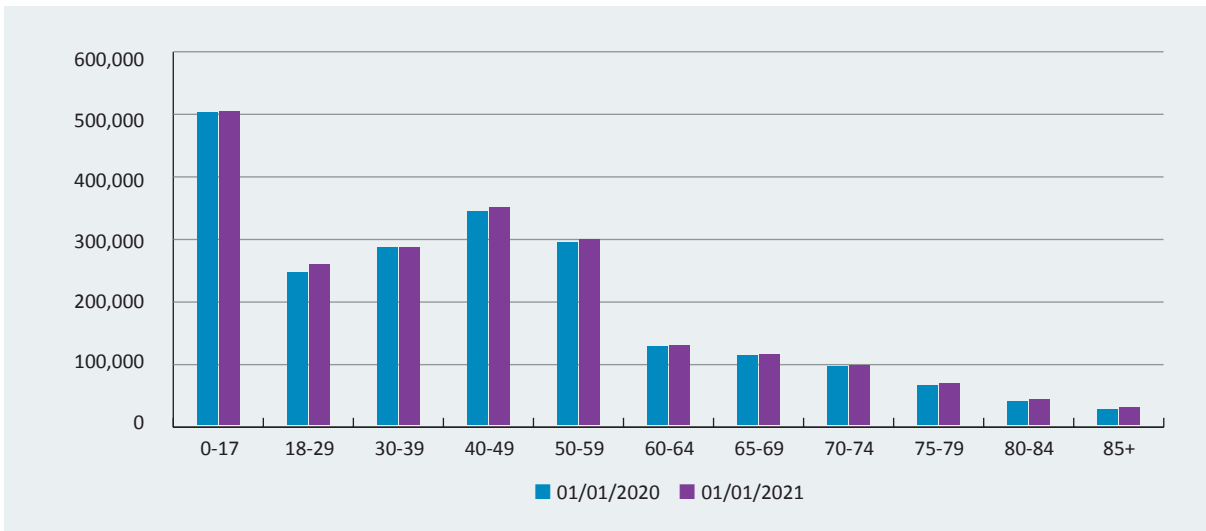
There was an increase of 37,000 at 1 January 2021, from the number insured at 1 January 2020.



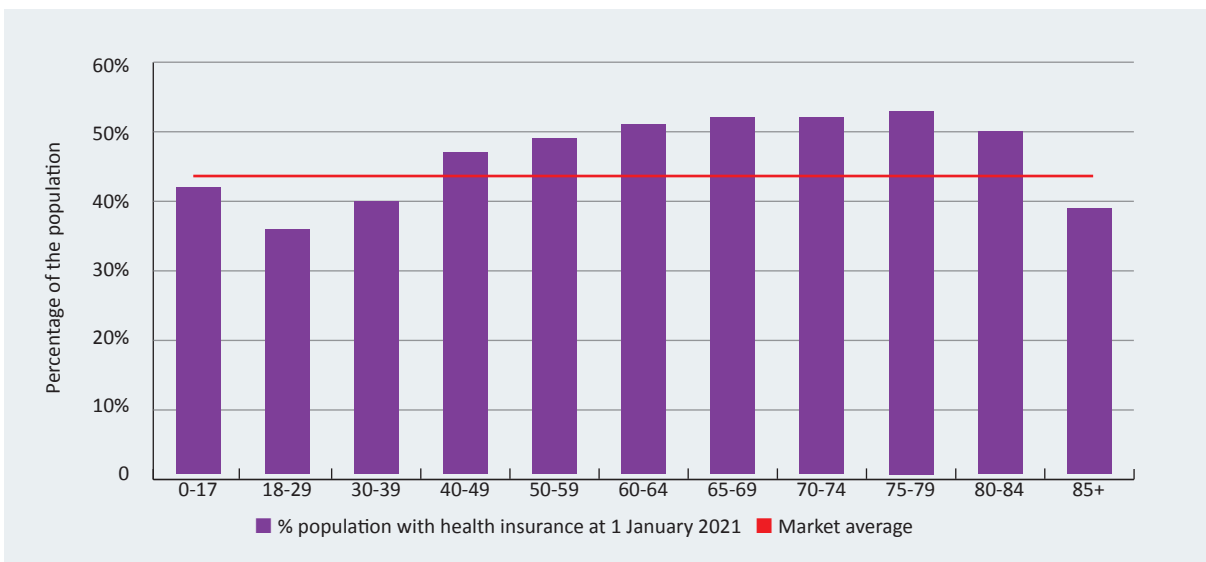
1. <https://www.hia.ie/consumer-information/waiting-periods/new-customer-waiting-periods>

The chart below shows the age breakdown of those holding health insurance. From 2020 to 2021, the numbers insured at all ages increased apart from the age band 30-39 which saw a small decrease. The largest percentage increases have occurred for those aged over 75 where the increase was 6%. This is largely due to an ageing population and a higher likelihood of older people to have health insurance. Similar increases can be seen for ages 18-29 driven by new market entrants and ageing of the population. Just over 80% of the insured population are below the age of 65.

What age is most likely to hold health insurance?



What percentage of the population by age holds health insurance?



The 18-39 and over age 85 age groups have considerably lower percentages of the population insured compared to the average of 44% across all health insurance customers, while the 40-84 age groups have considerably higher percentages insured. Those aged 75 -79 have the highest take up of health insurance at an estimated 53% of the entire population at this age having health insurance. The chart shows that from age 30 onwards, as consumers age they are more likely to take up health insurance, albeit it starts to decline after age 84.

What type of health insurance products are consumers purchasing?

As at 1 January 2021, there were 316 health insurance contracts available to consumers. There are two types of products, non-advanced and advanced. Non-advanced contracts provide for not more than 66% of the full cost for hospital charges or not more than the prescribed minimum payments under the Minimum Benefit Regulations, whichever is greater. Of the 316 plans, 34 were non-advanced and 282 advanced. As at 1 January 2021, 92% of customers held advanced products. This has remained static for a number of years.

Products can also be classified according to the types of benefits provided as follows:

- Level 1 products provide cover mainly in public hospitals;
- Level 2 products provide substantial cover in private hospitals but this cover is mainly provided for semi-private accommodation;
- Higher levels of cover relate to products that provide cover for private rooms in private hospitals.

Within the 316 contracts there are a wide range of benefits, the table below shows that the majority of consumers (75%) have policies which provide substantial cover in private hospitals (level 2 products) but this cover is mainly provided for in semi-private accommodation. Only 9% of the insured population were insured in level 1 products i.e. products which provide cover in mainly public hospitals.

Insurer	Level 1 Products	Level 2 Products	Higher Cover Products
Market	9%	75%	16%

Access to public hospitals

Insurers started selling health insurance products in 2013 that did not cover all public hospitals. The proportion of policyholders that are not covered in all public hospitals is shown below over the last 5 years and it is evident that there is an increase year on year over the last 5 years of consumers holding such policies. Most of these plans tend to be less costly than other plans available.

	01/01/2021	01/01/2020	01/01/2019	01/01/2018	01/01/2017
Proportion of consumers not covered in all public hospitals	10%	8.9%	8.4%	8.2%	5.4%

Restricted orthopaedic / ophthalmic benefits

A number of products in the market have restricted orthopaedic / ophthalmic benefits in private hospitals. These products tend to have significantly lower premiums than products that do not have these restrictions. Insurers' practices differ significantly with respect to such products.

The proportion of people with plans where these restricted benefits apply in private hospitals at the end of each of the last five years is set out below. The proportion for the market as a whole increased during 2020 from 62% at the end of 2019 to 65% at the end of 2020. A significant proportion of the customers with no restrictions on orthopaedic benefits relate to Level 1 contracts that provide limited benefits in private hospitals and these have been excluded from the analysis below.

	01/01/2021	01/01/2020	01/01/2019	01/01/2018	01/01/2017
Proportion of consumers with restricted orthopaedic benefits	65%	62%	61%	59%	59%

More people under the age of 65, compared to those over age 65, have restricted orthopaedic/ophthalmic cover. During 2020, 70% of the consumers with restricted orthopaedic/ophthalmic cover were under the age of 65.

AT 1 JANUARY 2021

2,200,000

**PEOPLE HAD
HEALTH INSURANCE
CONTRACTS**

WITH 316

**HEALTH INSURANCE
CONTRACTS**
available to consumers

How much are consumers paying for health insurance?

The Irish private health insurance market is based on the key principles of community rating, open enrolment, lifetime cover and minimum benefits. Community rating means that the level of risk that a particular consumer poses to an insurer does not affect the premium paid. Everybody is charged the same premium for a particular plan, irrespective of age, gender, past claims history and the current or likely future state of their health subject to exceptions in respect of children under 18 years of age, discounts for members of group schemes, young adults and lifetime community rating loadings.

Of the 316 plans available on the market at 1 January 2021, the price ranged from €490 to €9,000 for a yearly health insurance contract. This is the price a consumer pays and allows for tax relief available at source of up to €200 or 20% of the premium if less. It does not take into account any discounts which may be offered to young adults or groups.

The average premium/price being paid by policyholders at 1 January 2021 across all levels of products was €1,440 based on prices at 1 January 2021 and the products held by the insured population at that date. This is an increase of 1.8% compared to 1 January 2020. This change is due to a mix of price increases, changes in population and product choices.

	1 January 2021	1 January 2020
Market Average Premium ²	€1,440	€1,415

What consumers pay for health insurance tends to vary by age. This is largely due to the changing needs and attitudes of individuals as they age with older consumers typically selecting products with a higher level of benefits and thus products which are more expensive. The table below shows that those over age 65 paid on average 44% more for their health insurance based on all levels of products, than those under 65. This difference reduces to 34% if we focus the analysis on level 2 products, which 75% of consumers have.

In a community rated market, adults over the age of 25 will pay the same price for the same product. This difference in price is therefore as a result of benefit differences and product selection.

Average Premium* at 1 January 2021			
	<65	>=65	Difference
Market ² (all levels)	€1,342	€1,936	44%
Market ² (level 2 products)	€1,360	€1,815	34%

*Premium net of tax relief at source

Product price inflation

All three insurers increased prices at various stages throughout the year with the average increase across the market being 2.3%. The range of price changes was -10.8% to 15.3%. The range of price increases during 2020 across all of the plans on the market was -10.8% to 15.3%.

The table below shows the average price of the 5 most popular plans as of January 2021, weighted by membership and range of price changes on those plans for 2020. If we look at the 5 most popular plans for each insurer, the price changes on those plans ranged from 2% to 11%.

Insurer	Average price of the 5 plans ³	Range of price changes on those plans Jan 2020 to Jan 2021
VHI Healthcare	€1,673	2% to 3%
Laya Healthcare	€1,294	6% to 11%
Irish Life Health	€1,278	2% to 8%

When interpreting the data above, it is important to note:

1. By "most popular" we mean plans that most people had purchased within each insurer in 2020.
2. The most popular plan can change from month to month.
3. Older age cohorts typically select more expensive products to suit their changing healthcare needs. Thus the average age cohort of each insurers customer base will influence the price of the most popular plans. Finally, It is also important to note that each plan can offer a wide variety of benefits. This can also influence the price of the most popular plans.

2. This calculation assumes full adult rates for all consumers, children and young adults may have reduced premiums which would lower these averages

3. Weighted average price based on number of insured in each of the 5 plans at 1 January 2021

How did consumers react to price changes?

In order to estimate whether customers switched to cheaper plans in response to price increases, we estimated the impact of price changes by assuming that the insured population at 1 January 2020 all remained in their plans at 1 January 2021 and calculated a weighted average premium using 1 January 2020 adult prices. We then compared that with the actual weighted average premium price paid in January 2021. This allows us to see the impact of price changes and the impact of changes in the products being purchased by consumers.

Market (all levels)	1 Jan 2020 Population and Prices (A)	1 Jan 2020 Population and 1 Jan 2021 Prices (B)	1 Jan 2021 Population and Prices (C)
Under 65	€1,317	€1,362	€1,342
Over 65	€1,919	€1,981	€1,936

The percentage increase in average premium from 1 January 2020 to 1 January 2021 is 1.9% for under 65's and 0.9% for over 65's (using 1 January 2020 population and prices and 1 January 2021 population and prices, i.e. column C / column A).

This compares with the average premium using the assumption that the insured population as at 1 January 2020 remains on the same plans using 1 January 2021 adult prices, which shows an increase in average premium of 3.4% for under 65's and 3.2% for over 65's when compared to 1 January 2020 population and prices, i.e. column B / column A.

The reduction in the average premium using 2021 prices for both the 2020 and 2021 populations for under 65's is 1.5% and for over 65's is 2.3%, i.e. column C / column B. This suggests that the insured population at 01 January 2021 have in aggregate reduced levels of cover compared to those at 01 January 2020 or as a result of policyholders shopping around and choosing cheaper products or new entrants choosing cheaper plans.

How many people are paying loadings on their premiums?

Lifetime Community Rating (LCR) was introduced into the Irish private health insurance market on 1 May 2015. LCR is a system whereby the premium that individuals pay for health insurance rises with the age they enter the private health insurance market, but does not vary in relation to their current age. Loadings apply to people aged 35 or more taking out inpatient private health insurance for the first time after 30 April 2015⁴. The data below shows the increase over time in the number of health insurance customers paying LCR loadings and their percentage of the insured market. Unsurprisingly, these figures show an increase over time as loadings only apply for policies commencing from 1 May 2015.

	No. of Insured Persons paying loadings	% of Insured Population paying loadings
01-Jul-15	869	0.04%
01-Jan-16	5,389	0.27%
01-Jul-16	10,687	0.53%
01-Jan-17	15,122	0.74%
01-Jul-17	20,440	1.00%
01-Jan-18	26,136	1.28%
01-Jul-18	33,985	1.64%
01-Jan-19	38,755	1.84%
01-Jul-19	46,029	2.16%
01-Jan-20	52,653	2.43%
01-Jul-20	59,039	2.71%
01-Jan-21	64,026	2.91%

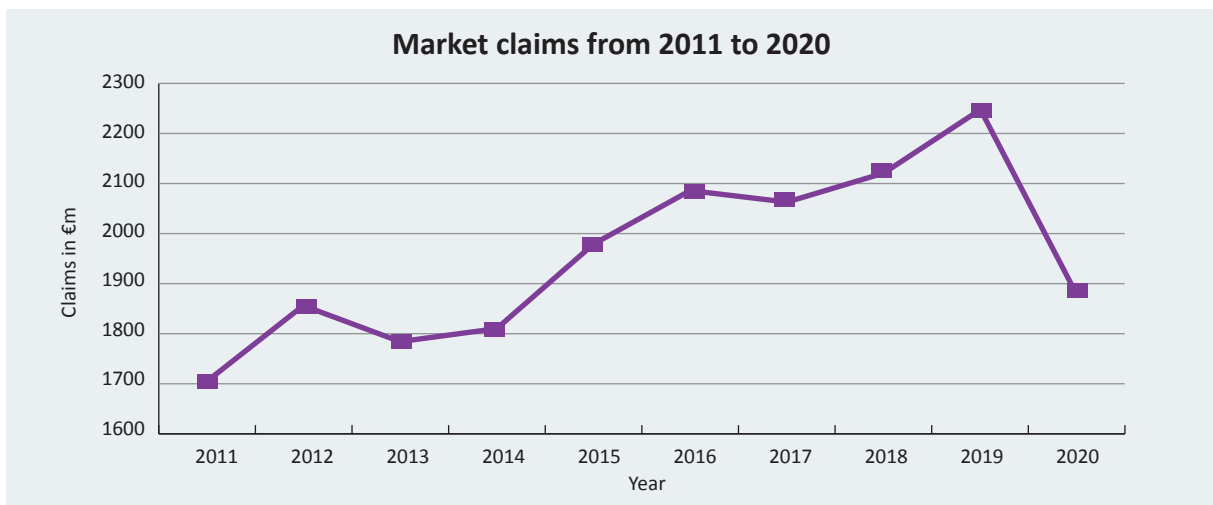
There are specific circumstances under which an individual may receive credited periods which can reduce the loading being applied. If a credit is given this means that it is assumed you had health insurance for that period despite not having any cover.

4. <https://www.hia.ie/consumer-information/lifetime-community-rating-explained>

How are consumers using their health insurance?

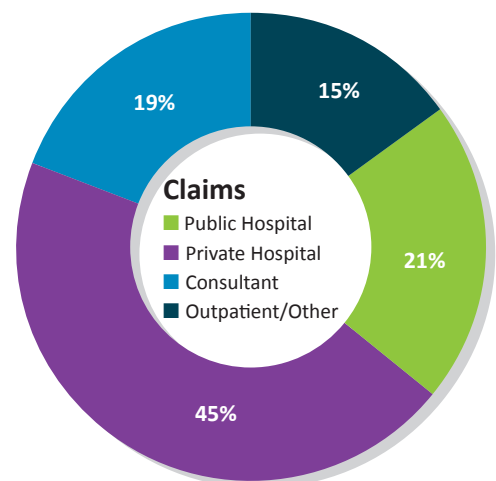
The total claims paid by insurers during 2020 was €1,876 million. This represents health insurance claims paid by the insurers during 2020 and as such could relate to medical treatments prior to 2020. This compares to claims paid in 2019 of €2,248 million. The fall in claims paid of 17% is a consequence of COVID-19 which resulted in the HSE taking over private hospitals for 3 months during 2020 and also lead to the postponement of many health services at the request of healthcare providers and/or individuals.

Prior to 2019 there was a gradual trend in increasing claims as illustrated in the chart below:



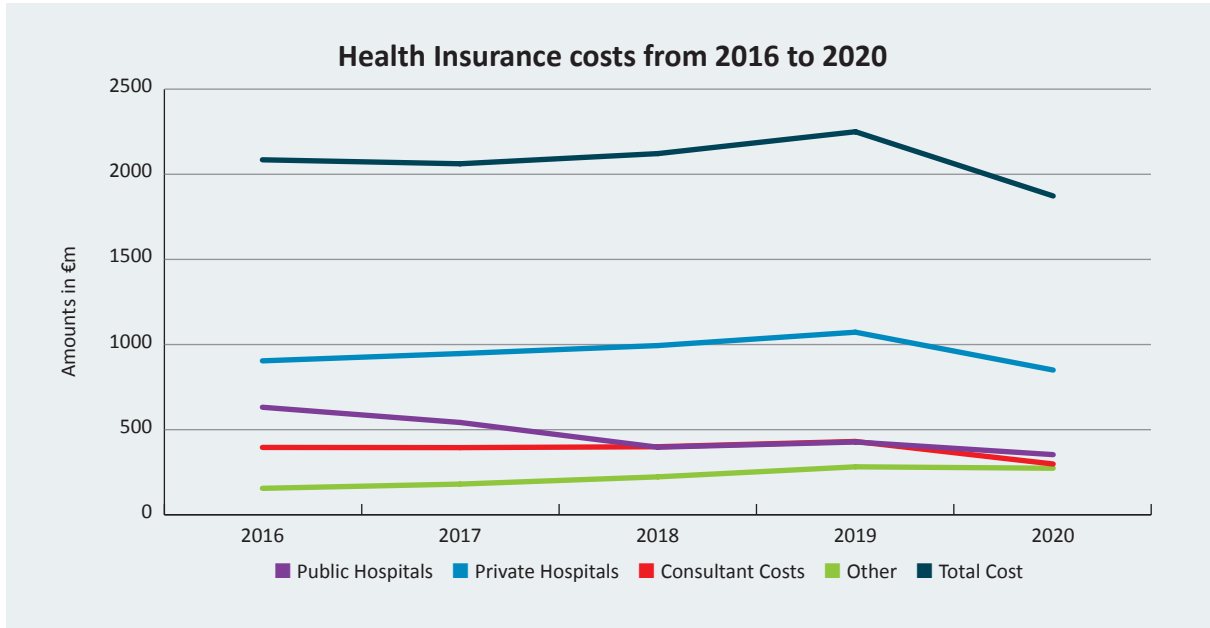
Despite private hospitals supporting the provision of public health services for 3 months in 2020, 45% of claims were in respect of treatment in private hospitals. This compares to 48% during 2019. During the last 5 years the proportion of claims in respect of treatment in public hospitals has gradually been falling; in 2016 claims in respect of public hospitals represented 30% of total claims and this is now at 21%. This could be interpreted as a shift in usage of consumers of health insurance but could also indicate higher cost of treatment and hence higher value of claims in private hospitals.

The table below shows the change to claims over the year. The fall in claims in respect of private hospitals was the largest at 20%. This is not surprising given the take-over of private hospitals for 3 months during 2020. However, the relatively narrow gap between the reduction in the private and public hospitals despite the takeover could be interpreted as an indication of the speed at which the private hospitals resumed activity once COVID-19 related restrictions were eased.



€millions	2020	2019	% change
Public Hospital	397	471	-16%
Private Hospital	852	1070	-20%
Consultant	355	428	-17%
Other	271	279	-3%
Total	1876	2248	-17%

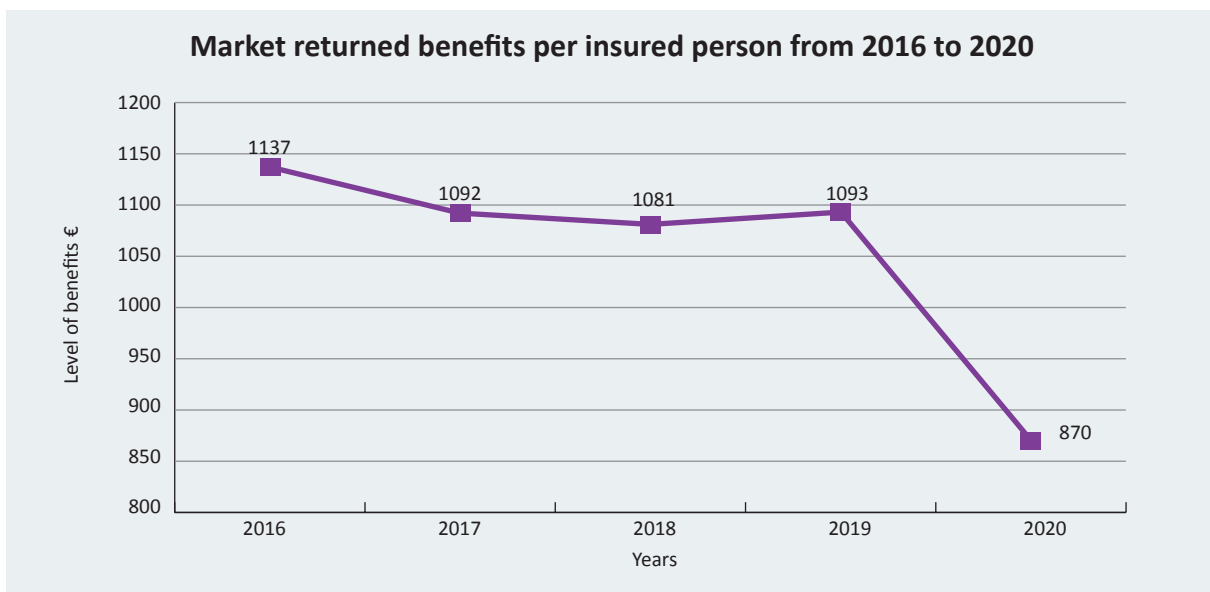
The chart below shows the 5 year history of claims by type of claim.



The chart shows that prior to the impact of Covid-19, there was a trend of falling claims relating to public hospitals and increasing claims being in respect of private hospitals, consultants and other with the largest percentage increase being in respect of the “other” category. The “other” category is largely made up of services not involving a hospital admission such as outpatient services, preventative health services/screenings, fertility or cosmetic services.

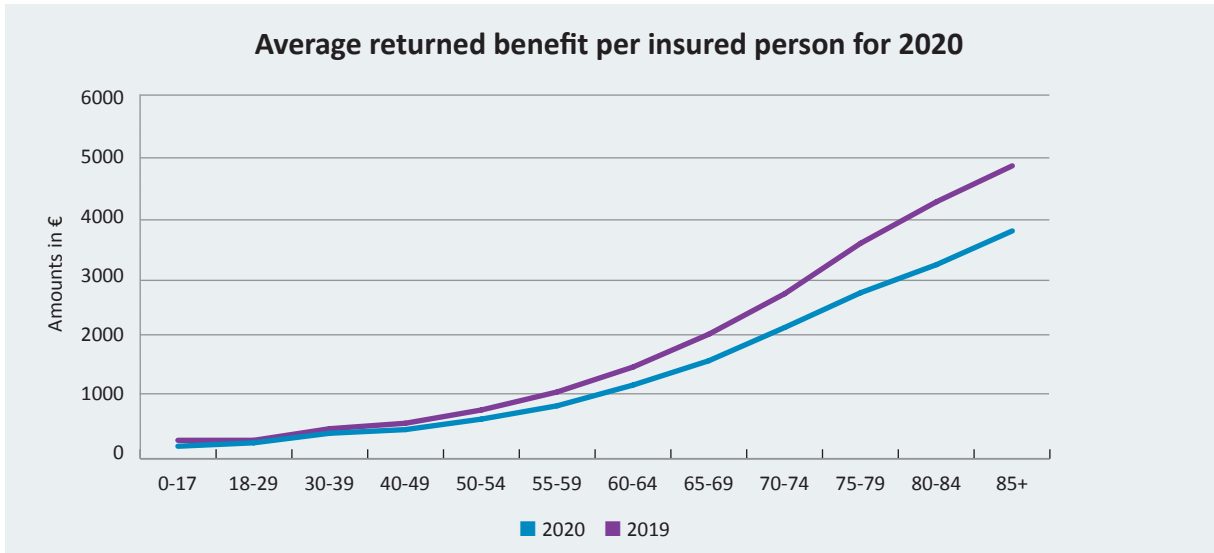
Average Claims per insured person

The chart below shows how the level of claim⁵, which we refer to as returned benefits and which excludes claims from the “other” category referred to above, per insured person has changed over the last five years. In 2020, the average returned benefit per insured person reduced significantly by 20% to €870, driven largely as a result of COVID-19. Between 2016 and 2019, the average returned benefit per insured person reduced by 3.9%.



5. These claims are based on “returned benefits” which is an extract of total claims and mainly excludes outpatient claims. Returned benefits were 86% of total claims during 2020.

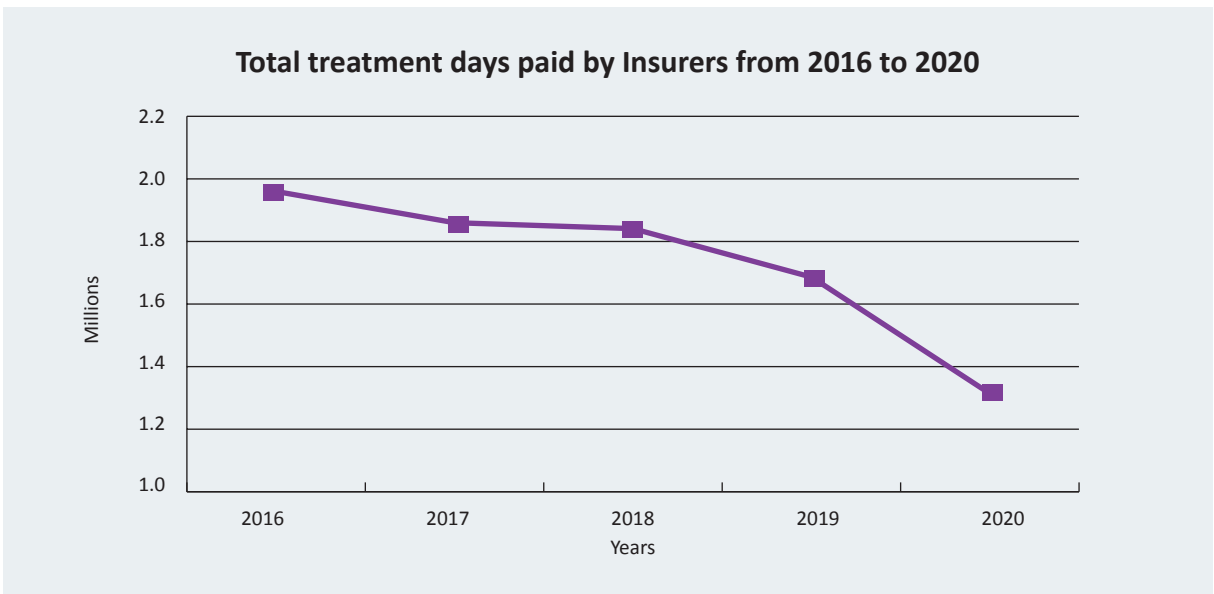
The below chart shows the average returned benefit per insured person for 2020 and 2019 by age. This chart shows that the average returned benefit per insured person increases with age. For comparison the average returned benefit for 2019 has also been included which shows the same trend but a higher average benefit at each age. The reduction in 2020 was as a consequence of restricted access to health care facilities due to COVID-19.⁶



Average treatment day per insured person

The insurers provide details of the number of hospital inpatient days (this includes days and nights) in respect of which claims were paid. Hospital admission on a day case basis is classified as one day duration.

The total number of hospital days paid for by the three insurers over the last 5 years is outlined below:



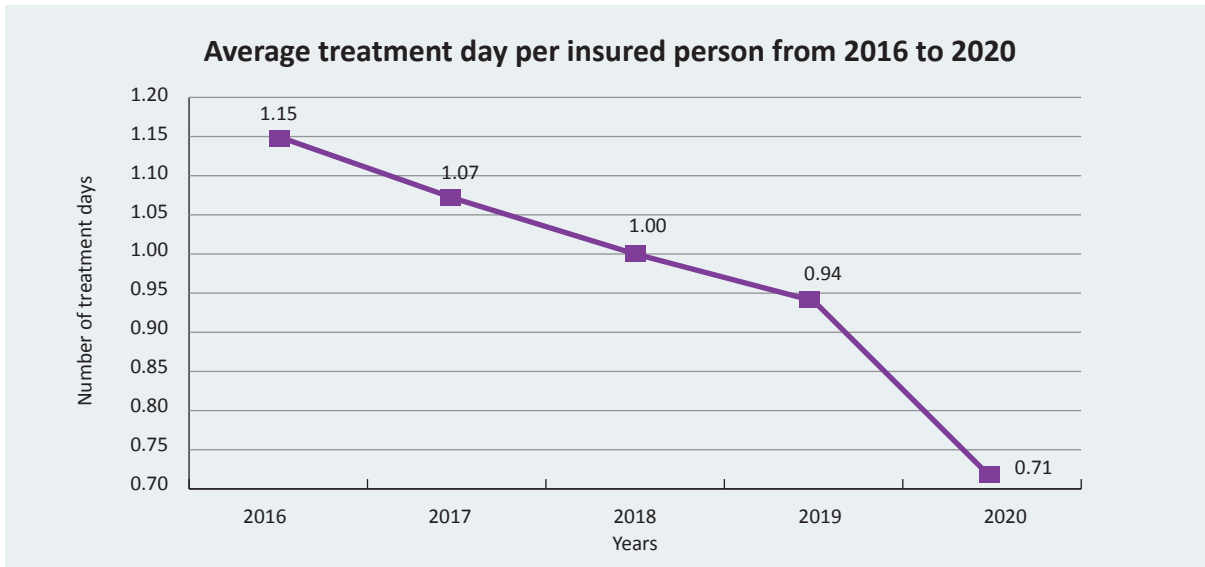
From 2016 to 2019, there has been a downward trend in the number of treatment days in respect of which claims were paid by the three insurers. The total number of days fell by 14% between 2016 to 2019 despite growing numbers with insurance over the same period. This can reflect changes in the provision of health services as well

6. These claims are based on "returned benefits" which is an extract of total claims and mainly excludes outpatient claims. Returned benefits were 86% of total claims during 2020.

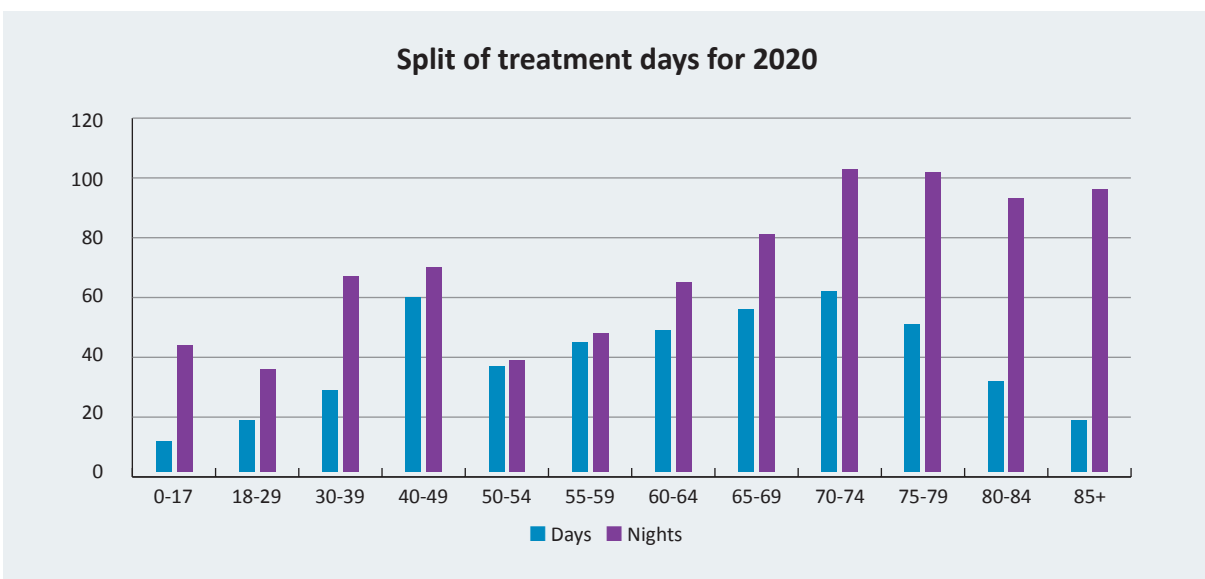
as changes in usage. In 2020 claims were paid in respect of 1.31m hospital days, a decrease of 22.1% from the 2019 figure of 1.69m. The reduced levels are reflective of reduced hospitalisations due to COVID-19, in particular the nationalisation of private hospitals between April and June 2020 which would have impacted on the level of hospitalisations reported in the second half of the year.

The number of hospital days per insured person decreased by 24% between 2019 and 2020. The corresponding decrease between 2018 and 2019 was 6%.

Between 2016 and 2020, the average number of hospital days per insured person reduced significantly by 38%, although the reduction observed in 2020 was larger than that observed over the previous three years which is impacted by COVID-19.



The split of treatment days between day cases and overnight cases for 2020 is set out below. Overall, overnight stays represented 64% of total treatment days during 2020; this is unchanged from 2019. The chart shows the split for 2020 by age. For those aged 40 -69 the split between days and nights is close to 50% but from aged 69 onwards over night hospital stays become an increasing proportion, with nights representing over 80% of total treatment days for those aged over 85.



How has COVID-19 impacted the health insurance market?

From April to June 2020, the HSE took over private hospital capacity in response to COVID-19 and the pressure on public health services. COVID-19 impacted access to both public and private health care facilities and suspension of almost all elective procedures for a period of time during 2020. This resulted in a reduction in medical treatments and a reduction in the claims experienced by the insurers during 2020.

The table below shows the reduction in claims relative to 2019 by age. We can see that the reduction is similar across all age bands.

Change in total returned benefit by age for the market

Returned Benefits € million			
Age	2020	2019	% change
0-17	63.2	81.5	-22%
18-29	56.5	63.7	-11%
30-39	108.2	129.1	-16%
40-49	154.2	186.9	-18%
50-54	94.5	115.8	-18%
55-59	121.4	151.8	-20%
60-64	155.0	191.4	-19%
65-69	185.4	231.0	-20%
70-74	213.4	261.3	-18%
75-79	191.8	234.4	-18%
80-84	141.8	178.8	-21%
85+	119.7	143.7	-17%
Total	1,605.2	1,969.3	-18%

Change in treatment days by age for the market

The reduction in claims also corresponds to a reduction in treatment days (hospital admission on a day case basis is classified as one day duration).

Change in number of treatment days by age is outlined in the table below.

Treatment Days '000			
Age	2019	2020	% change
0-17	74	56	-25%
18-29	62	55	-10%
30-39	119	96	-20%
40-49	163	130	-20%
50-54	97	75	-22%
55-59	122	93	-24%
60-64	152	115	-25%
65-69	183	137	-25%
70-74	211	165	-22%
75-79	195	153	-22%
80-84	162	125	-23%
85+	146	115	-21%
All Ages	1,687	1,313	-22%

The previous table shows the breakdown by age of the treatment days for the market. There was little variation in reduction of treatment days between age groups.

When treatment days are separated into day cases and night cases we observe that, although there are some differences by age, predominately for those under age 40 where day cases fell by more than night cases for this cohort, overall days and nights fell by the same percentage.

Change in Bed Nights

Age	Bed Nights '000's		
	2019	2020	% diff
0-17	57	44	-22%
18-29	40	36	-12%
30-39	81	67	-17%
40-49	87	70	-19%
50-54	49	39	-22%
55-59	66	48	-26%
60-64	87	65	-25%
65-69	109	81	-25%
70-74	132	103	-22%
75-79	131	102	-23%
80-84	122	93	-23%
85+	123	96	-22%
Total	1084	844	-22%

Change in Day Cases

Age	Day Cases 000's		
	2019	2020	% diff
0-17	18	12	-34%
18-29	21	19	-8%
30-39	39	29	-26%
40-49	76	60	-22%
50-54	48	37	-23%
55-59	57	45	-21%
60-64	65	49	-24%
65-69	74	56	-25%
70-74	79	62	-22%
75-79	63	51	-19%
80-84	41	32	-22%
85+	23	19	-20%
Total	604	471	-22%

Insurer response

In response to the HSE take over of private hospitals for the provision of public health services, each of the insurers announced, in April 2020, that they would give money back to their customers by way of refund of premium/waiver of premium or a COVID-19 benefit payment. This was in recognition of the fact that the arrangement with private hospitals would reduce claims experienced by the insurers. The insurers also all enhanced their provision of digital health services and provided financial support packages for those who were struggling to meet their premiums.

Two of the three insurers, Vhi Healthcare and Irish Life Health, made a refund of premium during 2020 and Laya Healthcare provided a "covid benefit" payment. Vhi Healthcare made a further refund which was announced in December 2020 but paid to customers in January 2021. The total amount paid to customers by all three insurers in response to lower claims activity in 2020 was €415 million.

The reduction in claims in 2020 relative to 2019, based on the information available to the HIA was €372 million or 18%. It is important to note that this is on a claims paid basis and therefore the full impact of COVID-19 on claims may not be fully captured by the end of 2020. At the time that the insurers committed to providing refunds, the full impact of COVID-19 was not known. The insurers, therefore, had to make assumptions as to the expected impact on their claims as a result of the 3 month takeover of private hospitals and suspension of almost all elective procedures.

Refunds relative to premium

The HIA receives information on the gross premium income (which includes tax relief at source) received by each of the insurers on a quarterly basis. The refunds/COVID-19 payments represented 15% of premiums received by the insurers in respect of 2020.

Refund/Payment €m	Adjusted premium ⁷ 2020 €m	Refund as % of premium
415.4	2,727	15.2%

We have also examined the average refund/payment per member to the decrease in average claim per member from 2019 to 2020 and can see they are of a similar scale.

Average refund /payment per member	Decrease in average claim per member
€190	€194

7. The premiums received by the HIA were net of any refunds paid and we have added these amounts back to get the "Adjusted premium".



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