

# **Health Insurance Levy/ Risk Equalisation**

## **Background**

Health insurance claims costs increase with age. The average prescribed claims cost for people aged 70-79 in 2015 was €3,204 compared to €311 for those aged 18-29. Vhi Healthcare has a much higher proportion of older lives than Aviva Health, Laya Healthcare or GloHealth. For instance, Vhi Healthcare, at December 2015, has a 49% market share in the 0-49 age group and a 83% market share of the over 80's age group. This contributes to Vhi Healthcare having a higher average claim cost per member than Aviva Health, Laya Healthcare or GloHealth.

Risk equalisation is a process that aims to equitably neutralise differences in insurers' costs that arise due to variations in the age profile of the insurers. Risk equalisation involves transfer payments between health insurers to spread some of the claims cost of the high-risk older and less healthy members amongst all the private health insurers in the market in proportion to their market share. In the absence of an effective risk equalisation system, there is a threat to the existence of a community rated market when significant differences in risk profiles exist between competing insurers. Risk equalisation is a common mechanism in countries with community rated health insurance systems.

### **2006- 2008**

The Health Insurance Authority recommended to the Minister for Health in October 2005 the commencement of risk equalisation payments. In December 2005, the Minister for Health and Children decided that risk equalisation payments would commence from 1 January 2006. A stay on payments was imposed by the Courts until it ruled on a constitutional challenge to the Risk Equalisation Scheme. On the 16th of July 2008, the Supreme Court ruled that the Risk Equalisation Scheme was unconstitutional.

### **2009-2012**

The Government announced, in November 2008, an initiative of an interim age related tax credits and community rating health insurance levy to support the cost of health insurance for older people. This interim system commenced in 2009 and was designed to be exchequer neutral.

### **2013-2015**

The Government, on 27th May 2010, announced a comprehensive strategy and set of actions for the health insurance market. These actions included the development of a full, robust, new risk equalisation scheme to start in 2013. The Health Insurance Authority published a consultation paper on risk equalisation on 21 June 2010 and submitted a report to the Minister for Health in December 2010. The Government announced details of the scheme in January 2012. Legislation was published in October 2012 and enacted in December 2012 to apply from January 2013.

The legislation creates a Risk Equalisation Fund administered by the Health Insurance Authority. The Risk Equalisation Fund supports the community rated market by providing

age related health credits in respect of those over the age of 60 that help to meet their higher claims costs. The health credits vary by age, gender and by Level of Cover. Credits are also provided in respect of each overnight stay in a hospital bed in private or semi-private accommodation. These credits are funded by a community rating health insurance levy paid by health insurers which vary by Level of Cover.

The health credits and the community rating health insurance levy are administered by the health insurance companies and the Risk Equalisation Fund. Community rating health insurance levy payments for renewals from 1 January 2013 are paid by insurers to the Revenue Commissioners who in turn pass the money to the Risk Equalisation Fund. Health credits are paid out of the Fund to the insurers. Any surpluses or deficits in the Fund are carried forward and allowed for in setting future levy amounts.

### **2016-2020**

The 2016 Risk Equalisation Scheme is similar to the 2013 Scheme except that risk equalisation payments would also be payable in respect of admissions to hospitals that did not involve an overnight stay in the hospital.

The health credits and community rating health insurance levy for renewals from 2009 to 2012/Q1 2013 are as follows:

### **Interim System credits and community rating levy amounts for renewals in 2009-2012/Q1 2013**

<b>Age range</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012 / Q1 2013</b>
<b>50-59</b>	€200	€200	Nil	Nil
<b>60-64</b>	€500	€525	€625	€600
<b>65-69</b>	€500	€525	€625	€975
<b>70-74</b>	€950	€975	€1,275	€1,400
<b>75-79</b>	€950	€975	€1,275	€2,025
<b>80-84</b>	€1,175	€1,250	€1,725	€2,400
<b>85+</b>	€1,175	€1,250	€1,725	€2,700

### **Stamp duty table**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012 / Q1 2013</b>
Adult	€160	€185	€205	€285
Child	€53	€55	€66	€95

The health credits and the community rating health insurance levy for renewals occurring from 1 January 2013 to 31 March 2013 are the same as applied for renewals under the interim system in 2012.

**Health Credits and community rating stamp duty for policies renewing from 31 March 2013 to 28 February 2014.**

The amounts of the health credits and community rating health insurance levy for policies renewing from 31 March 2013 to 28 February 2014 are as follows:

31/03/13 - 28/02/14				
Age range	Non-advanced cover		Advanced cover	
	Male	Female	Male	Female
60-64	€375	€250	€425	€275
65-69	€900	€650	€1,050	€775
70-74	€1,450	€975	€1,700	€1,150
75-79	€2,050	€1,550	€2,425	€1,800
80-84	€2,850	€1,925	€3,375	€2,275
85+	€2,850	€1,925	€3,375	€2,275

**Stamp duty table**

31/03/13 - 28/02/14				
	Non-advanced cover		Advanced cover	
	Male	Female	Male	Female
Under 18	€100		€120	
Over 18	€290		€350	

For policies commencing between 31/03/2013 to 28/02/2014, a hospital bed utilisation payment of €75 is paid in respect of each night spent in private or semi-private accommodation by an insured person.

**Health Credits and community rating stamp duty for policies renewing from 1 March 2014 to 28 February 2015.**

The amounts of the health credits and community rating health insurance levy for policies renewing from 1 March 2014 to 28 February 2015 are as follows:

01/03/14 - 28/02/2015				
Age range	Non-advanced cover		Advanced cover	
	Male	Female	Male	Female
60-64	€250	€200	€450	€325
65-69	€575	€400	€1,150	€775
70-74	€925	€625	€1,850	€1,200
75-79	€1,200	€950	€2,500	€1,925
80-84	€1,575	€1,150	€3,200	€2,250
85+	€1,975	€1,325	€4,000	€2,725

### Stamp duty table

	01/03/14 - 28/02/2015			
	Non-advanced cover		Advanced cover	
<b>Under 18</b>	€100		€135	
<b>Over 18</b>	€290		€399	

For policies commencing between 01/03/14 to 28/02/2015, a hospital bed utilisation payment of €60 is paid in respect of each night spent in private hospital accommodation by an insured person.

### Health Credits and community rating stamp duty for policies renewing from 1 March 2015 to 28 February 2016.

The amounts of the health credits and community rating health insurance levy for policies renewing from 1 March 2015 to 28 February 2016 are as follows:

01/03/15 - 28/02/2016				
Age range	Non-advanced cover		Advanced cover	
	Male	Female	Male	Female
<b>60-64</b>	€200	€150	€425	€300
<b>65-69</b>	€525	€350	€1,075	€725
<b>70-74</b>	€825	€600	€1,750	€1,200
<b>75-79</b>	€1,025	€800	€2,250	€1,700
<b>80-84</b>	€1,475	€1,025	€2,975	€2,125
<b>85+</b>	€1,750	€1,125	€3,725	€2,475

### Stamp duty table

	01/03/15 - 28/02/2016			
	Non-advanced cover		Advanced cover	
<b>Under 18</b>	€80		€135	
<b>Over 18</b>	€240		€399	

For policies commencing between 01/03/15 to 28/02/2016, a hospital bed utilisation payment of €90 is paid in respect of each night spent in private hospital accommodation by an insured person.

**Health Credits and community rating stamp duty for policies renewing from 1 March 2016 to 31 March 2017**

Age range	Non-advanced cover		Advanced cover	
	Male	Female	Male	Female
60-64	€0	€0	€0	€0
65-69	€575	€375	€1,125	€800
70-74	€900	€675	€1,800	€1,300
75-79	€1,175	€850	€2,550	€1,900
80-84	€1,550	€1,100	€3,375	€2,375
85+	€1,775	€1,250	€4,150	€2,775

A hospital bed utilisation payment is paid in respect on each night spent in private hospital accommodation by an insured person, along with day case shown below:

Overnight	€90.00
Day-Case	€30.00

Community Rating Stamp Duty	Non-advanced cover	Advanced cover
Under 18	€67	€134
Over 18	€202	€403

**Rates Applying for Contracts Commencing/Renewing from 1 April 2017 onwards**

Risk Equalisation Premium Credits

Contract Type	Non-Advanced		Advanced	
	Male	Female	Male	Female
65-69	€850	€525	€1,175	€675
70-74	€1,250	€1,075	€1,950	€1,500
75-79	€1,750	€1,425	€2,750	€2,125
80-84	€2,375	€1,925	€3,750	€2,925
85 and above	€2,975	€2,375	€4,875	€3,700

A hospital utilisation credit of €90 is paid in respect of each qualifying night spent in hospital by an insured person. A hospital utilisation credit of €30 is paid in respect of each qualifying day admission to a hospital by an insured person.

## Community Rating Stamp Duties

Community Rating Stamp Duties (Contract Type)	Non-Advanced	Advanced
Adult (18 and over)	€222	€444
Child (17 and under)	€74	€148

## Links

[Department of Health and Children Press Release 19 November 2008](#)

[Health Insurance \(Miscellaneous Provisions\) Act, 2009](#)

[Government announcement of 27 May 2010](#)

[HIA publishes consultation paper on risk equalisation in the Irish private health insurance market 21.06.10](#)

[Department of Health-Risk Equalisation and Interim Scheme](#)

[Health Insurance \(Amendment\) Act, 2012](#)

[HIA Report to the Minister for Health on an evaluation and analysis of returns for 1 July 2011 to 30 June 2012 including advice](#)

[December 2010 HIA Report to the Minister for Health and Children on Risk Equalisation in the Irish Private Health Insurance Market](#)