



Response to the Health Insurance Authority's consultation paper on minimum benefits

1. Introduction

This response to the HIA's consultation paper on minimum benefits has been prepared by the Health Care Committee of the Society of Actuaries in Ireland and approved by the Council of the Society.

2. Need for change

The Society supports the case for simplification of the current regime of minimum benefits.

However, although the current schedules are significantly out of date, there is no evidence to suggest that the key purposes of the minimum benefit regime, as set out in the 1999 White Paper, are not being met. The practical position at present is that the existing health insurers provide benefits that are significantly in excess of the statutory minimum.

Arguably there is no pressing need for change to the current regime. However, the potential exists, in theory, for community rating to be undermined if the statutory minimum benefits are significantly out of date.

3. Role of the Health Insurance Authority

The proposed changes to the minimum benefits regime outlined in the 1999 White Paper, would, under certain circumstances, require the Health Insurance Authority to set minimum reimbursement rates with reference to "75% of the lowest reasonable market cost" of particular procedures.

The Society is not in favour either of the automatic production of prescriptive schedules or a system that is entirely based on the exercise of discretion by the Authority from time to time. Rather, it would consider it preferable to adopt a principle-based system, whereby the basis for determining the "lowest reasonable market cost" would be clearly defined *ab initio*. The Authority could then apply this basis as and when needed.

4. Review of Minimum Benefits

If prescriptive schedules are to be produced, there is a case for building in some form of inflation-linking. On the other hand, an overly prescribed or standardised approach could of itself have inflationary consequences i.e. if the prescribed minimum benefits were to increase automatically in line with an inflation index, this could be perceived as setting a floor for increases to medical fees.

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It would be preferable, therefore, that increases in the statutory minimum benefits should follow rather than lead increases in market rates. This points in the direction of a system of regular review, rather than automatic index-linking. The prescribed minimum benefits will in any case require to be reviewed regularly in order to ensure that they remain consistent with the "lowest reasonable market cost".

6. Scope of Minimum Benefit Regulations

The Society considers that health insurance contracts that provide solely for ancillary health services should continue to be exempt from the minimum benefit regulations.

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