Submission to Lifetime Community Rating Consultation Paper

2 March 2017

1. Introduction

Laya Healthcare Limited (laya) continues to welcome the introduction of Lifetime Community Rating (LCR) from 1 May 2015. LCR was a positive development in the health insurance system and increased the sustainability of the community rating model of the private health insurance system, aiming to avoid premium rates increasing as a result. In the run up to the introduction of LCR there was a significant increase in membership.

2. Review of LCR

Laya welcomes a review of LCR at this point in time, approximately 2 years following the introduction of LCR. While the LCR has had some success in increasing the age profile of the market, there are some operational factors that may require review.

3. Specific questions asked in the Consultation Paper

Q: Insurers' documentation of LCR loadings
Over 10,000 lives are paying Lifetime Community Rating loadings as at 1 July 2016. It has been asserted that some policyholders are not aware that they are paying these loadings, especially those in employer sponsored schemes. As a result, some lives may not be claiming credit for previous periods of eligible cover.

Should the documentation issued to new insured lives be amended (and if so, how) to make it clearer how the LCR loading might be lowered if the insurer was provided with details of previous eligible cover?

A: We believe that the documentation currently issued is clear regarding the loadings applied and what might be lowered if further details were provide. As per the Health Insurance Act 1994 (Determination of relevant increase under section 7A and provision of information under section 7B) Regulations 2014, Insurers initially exchange information with a view to confirming the credited period of the policyholder. In the event that this does not agree with what the policyholder provided, then correspondence is issued to the policyholder to inform them regarding this, and steps that can be taken to allow confirmation of credits. Any loadings applied are confirmed in the membership certificate that is issued to the member.

Q: People moving overseas post 1 May 2015 and then returning to Ireland
Anyone whose principal residence on 1 May 2015 was outside the State and returns to live in the State can avoid Lifetime Community Rating loadings by taking out the cover within nine months of returning to Ireland. People who move abroad post 1 May 2015 and subsequently return to Ireland when aged 35 or over may have LCR loadings applying. A number of employers who move their staff overseas have made representations to the Authority that relief from loadings should apply to their returning staff.

Should there be a change in legislation so that an exemption from LCR loadings applies along Australian lines for people moving to / returning to Ireland?

A: We would agree with changes to legislation to allow for an exemption of LCR loadings for people moving abroad and then returning to Ireland and agree with the timelines of one year in the Australian model. However this exemption would only allow a credited period for the years spent abroad. For the year's prior to being abroad, any credited period will be

determined by health insurance cover held in that period. This would ensure there is equity for people regardless of whether they moved abroad or not.

Q: Interpretation of legislation
The terms "Principal Residence" and "Ordinarily Resident" are referred to in the health insurance legislation. However, the terms are not defined in the legislation and as a result there may be the potential for disputes as to how these terms should be interpreted.

Should these terms be defined in the legislation and, if so, in what manner should they be defined?

A; The definition of "Principal Residence" and "Ordinarily Resident" should be aligned to other laws, such as tax laws, that provide definitions for these terms.

Q: Defence Forces
Defence Forces personnel and their families are covered by international health insurance plans on deployment overseas. These plans are not eligible cover for the purposes of LCR loadings. A historical arrangement exists whereby members of the Defence Forces can attend a Defence Forces Medical Officer when requiring medical treatment with the cost of any private treatment covered by the Medical Corps. These health arrangements cease when the defence member retires from or leaves the Defence Forces. If the person takes out private health insurance at that time, the period of employment in the Defence Forces is not taken into account in assessing LCR loadings.

Should the LCR legislation be amended in respect of the Defence Forces and if so, in what manner should it be amended?

A: We would not agree with broadening the LCR legislation for the scenario mentioned above in respect of the Defence Forces. To broaden the definition to include scenarios such as the Defence Forces would, in our opinion, jeopardise the principal objectives in the Health Insurance Act 1994, in particular Section 1(A), (b) "*that the burden of the costs of health services be shared by insured persons by providing for a cost subsidy between the more healthy and the less healthy, including between the young and the old*". As stated on the HIA website LCR was introduced as "*community rated markets depend on a continuing influx of younger people. Younger people claim less on average and, accordingly, a continuing influx of younger people keeps premiums down for everybody. Conversely, if people wait until they are older before taking out private health insurance, premiums will increase for everybody. Lifetime Community Rating encourages people to join the private health insurance (PHI) market at a younger age and this will help in controlling premium inflation.*" Members of the Defence Forces will not have paid health insurance premiums in their lifetime and therefore to allow them join without applying LCR loadings could result in premium inflation. We would respectfully suggest that the Defence Forces should allow the arrangements in place continue post retirement from the Defence Forces.

Q: Period of time that LCR loadings apply
In Ireland, LCR loadings apply for life. In Australia, the loadings apply for 10 years.

Should the period of time that LCR loadings apply be changed and if so in what manner should they be changed?

A: The purpose of LCR was to support the community rating principal in the market. In our opinion, there is a risk that any amendments to the loadings at this early stage may discourage

members from joining earlier than they would have planned in the absence of loadings, and we would therefore not agree that the time that LCR loadings apply should be changed.

Q: Other Issues
The Authority invites submissions from the public on the issues outlined above, or on any other matters concerning the operation of Lifetime Community Rating in the Private Health Insurance market in Ireland.

Are there any other issues relating to Lifetime Community Rating that you wish to bring to the Authority's attention?

A: The method of the Insurers satisfying itself in relation to LCR credits should be reviewed and simplified. We would suggest that a working group be appointed with the Insurers and the Health Insurance Authority in this regard.