

IRISH HOSPITAL CONSULTANTS ASSOCIATION

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Mr Micheal O'Briain,
Head of Regulatory Affairs,
The Health Insurance Authority,
Canal House, Canal Road
Dublin 6

By post and email

03 March 2017

Re: Public Consultation on Lifetime Community Rating

Dear Mr O'Briain,

The Irish Hospital Consultants Association (IHCA) represents 85% of the hospital consultants in Ireland. The Association welcomes the opportunity to make a submission on Lifetime Community Rating (LCR) which came into effect from 1 May 2015 and looks forward to further engagement with the Health Insurance Authority in this regard.

As a preliminary point, the Association welcomes reasonable measures designed to ensure the sustainability of the private health insurance market. The lack of capacity in the public acute hospital system has resulted in a significant proportion of the population in Ireland maintaining private health insurance. There are benefits, in terms of synergy and complementarity, associated with having a private health system operating in parallel with the public system. This applies especially where there is a sustainable health insurance market.

The costs associated with the delivery of healthcare to insured patients have increased significantly. In particular, the cost of clinical indemnity incurred by Consultants has increased by multiples for certain specialties in recent years. The cost increases have threatened the viability of some consultant practices and are putting sustained upward pressure on health insurance costs in particular.

The Association welcomes the increase in the number of people with health insurance over the period January 2015 to July 2016. This was preceded by a decrease in the number of insured members during the period 2008 to 2014. It would appear reasonable therefore to assume that the increase has been assisted by the introduction of LCR. While the increase of 7% over the 18-month period may not be repeated in similar periods in the future, the Association anticipates that LCR will continue to provide benefits at a steady rate over time as younger members elect to take out insurance before reaching age 35. The LCR also encourages members to continue their health insurance once they have commenced.

The Association recommends that the HIA, Insurance Ireland and/or individual insurers as appropriate launch awareness campaigns periodically to ensure that under 35s are advised and aware of the implications of a decision to postpone taking out health insurance until after age 34.

While the LCR loading penalises some members of the insured population by increasing premium costs for older loaded members the impact appears to be proportionate. The adverse effect on

10,687 insured persons who are loaded must be considered in the context of the 134,496 newly insured members into the market and having regard to the following:

- Total loadings equalled €1m approximately for January to June 2016.
- About 0.5% of the insured population paid loadings as at July 2016.
- LCR loadings as % of premium income was less than 0.1% for January to June 2016.

The Association notes that the Society of Actuaries has concluded that the introduction of LCR in 2015 meant that there was a net zero impact from ageing on claims inflation from 2015 due to the offsetting effects of new younger members in the market. This is a welcome development bearing in mind the increased costs of delivering care to insured patients and the effects of an older age profile.

The Association wishes to comment on the following specific questions in your consultation document.

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?

We agree that the documentation issued to new subscribers should be amended along these lines. It should be standard practice among insurers that members are requested to provide this information, whether by telephone or by way of written application, when they apply to take out a new policy. In addition, the significance of the member's answer should be explained to ensure they are aware confirmation of previous cover could potentially limit/lower the premium payable.

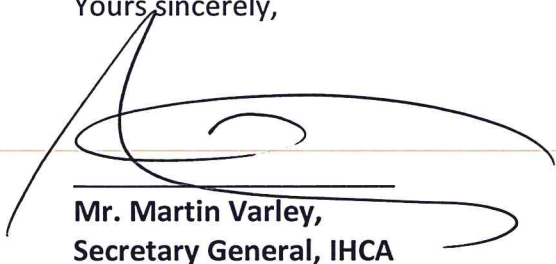
Should there be a change in legislation so that an exemption from LCR loadings applies along Australian lines for people moving to / returning to Ireland?

With regard to people returning to Ireland, we agree that some level of flexibility should be afforded to an individual who is not in a position to maintain a continuum of ongoing health insurance cover in Ireland by virtue of having moved abroad for a period of time. It seems reasonable to the Association that either a full or partial exemption from LCR loading should be allowed in circumstances where the individual can provide evidence of time spent abroad and demonstrate that he/she held insurance cover prior to departure.

With regard to individuals moving to Ireland having never resided in the country before, the Association does not believe it would be equitable to penalise such individuals with LCR loading in circumstances where they have not had an opportunity to take out insurance in Ireland during a time when they fell below the age threshold but were resident in another country. Accordingly, a partial or full exemption from LCR loading should apply in those circumstances subject to satisfactory evidence that the individual concerned has not previously held residence in Ireland.

I am available to discuss our submission and clarify its contents at your convenience.

Yours sincerely,



Mr. Martin Varley,
Secretary General, IHCA