



An tÚdarás Árachas Sláinte
The Health Insurance Authority

**RISK EQUALISATION SCHEME
INSPECTION OF REGISTERED
UNDERTAKINGS FOR THE PERIOD 2022**

1. Background/Objective of the Inspection

The Health Insurance Authority (HIA) has published in this report the findings of its Risk Equalisation Scheme (RES) inspection for the calendar Year 2022 which was carried out in late 2023 and 2024.

The overall objective of the inspection was to assess market compliance with the provisions of the Health Insurance Act 1994 (as amended, “the 1994 Act”) as well as the Risk Equalisation Scheme Regulations, principally the Health Insurance Act (Risk Equalisation Scheme) Regulations, 2013 (S.I. No.70 of 2013) as further amended by the Health Insurance Act 1994 (Risk Equalisation Scheme) (Amendment) Regulations 2022 (S.I. No. 147 of 2022). The aforementioned legislation provides the legislative basis for the RES and the Risk Equalisation Fund (REF), the mechanisms used to implement and support Community Rating in the Irish Health Insurance market.

The HIA is responsible for administrating and maintaining the Risk Equalisation Fund. The registered undertakings submit Risk Equalisation Credit claims to the HIA in two separate ways –

- **Interim RES Claims (Submitted Monthly)**
These credits include the Risk Equalisation Premium Credit (REPC), Hospital Utilisation Credit Overnight Basis Credit (HUCO) and the Hospital Utilisation Day Case Basis Credit (HUCD). REPC is payable to the registered undertakings in respect of insuring older people. This credit varies by age, gender and level of cover of the contract held by the insured person. This credit applies to those aged 65 and over. HUCO and HUCD are payable to the registered undertakings for each night/day that an insured person spends in private hospital accommodation.
- **High Cost Claims Pool (HCCP) Credits (Submitted Quarterly)**
These credits were introduced in 2022, Under S.6A(1) of the Health Insurance Acts, and reflect the amount that is equal to the high cost claim quota share multiplied by the amount by which the high cost claim exceeds the high cost claim threshold.

Payments made in 2022 for REPC and HUC credits totalled c.€778 million.

Payments made in 2022 for HCCP credits totalled c.€260k.

The annual insurer inspections also satisfies one of the key priorities of the HIA –

HIA’s Strategic Plan 2022-2024 – Priority #2 Ensure compliance and accountability through best regulatory practice:

“The HIA intends to carry out proactive surveillance and monitoring of insurers claims to the Risk Equalisation Fund, with clear prioritisation so that we can intervene more quickly and decisively if issues are identified.”

This priority reflects the importance of the security and the efficient administration of the Risk Equalisation Fund (the Fund), ensuring robust controls are in place with respect to the verification and payment of RES claims. The objective of this goal is to administer the Fund prudently, in compliance with legislation and accounting standards, while maintaining the highest standards of corporate governance. One of the key performance indicators of this goal is to conduct this inspection of the registered undertakings annually.

2. Scope of the Inspection

The inspections focused on the registered undertakings management of financial and operational controls to ensure the completeness and accuracy of the RES claims submitted. This included oversight of controls when systems were initially implemented as well as on-going controls.

The HIA expanded its inspection work for the year 2022 to include a Review of the procedures for the application of the appropriate stamp duty rates and for the submission of the correct Stamp Duty amounts payable per quarter.

In summary the objective of the inspections was to assess the adequacy, design and operational effectiveness of internal controls in place that govern the registered undertakings processes regarding

- Risk Equalisation Premium Credit ('REPC')
- Hospital Utilisation Credit Overnight Basis ('HUCO')
- Hospital Utilisation Day-Case Basis Credits ('HUCD')
- High Cost Claims Pool ('HCCP')
- Interim and Annual Claims ('Claims')
- Stamp Duty (Health Insurance Levy)

in order to assess compliance with the 1994 Act in relation to the completeness and accuracy over the RES Claims submitted and Stamp Duty remitted during the year.

3. Findings and Recommendations

RES Claims

The HIA found that the registered undertakings have satisfactory & appropriate policies, procedures and controls in place in respect of the RES credits - REPC, HUCO, HUCD and HCCP based on the review work carried out. The HIA is satisfied that these procedures appear designed to ensure adequate segregation of duties, with the RES claims undergoing various financial control checks and stages of review prior to authorisation and submission to the HIA.

Notwithstanding these positive control findings, the HIA has identified a number of findings and recommendations as a result of the inspection. These stem in the main from issues discovered in the year 2021 inspections which continued into year 2022.

The areas of particular concern identified are as follows:

HUC incorrectly claimed for medical facilities not eligible for HUC

The inspection identified two registered undertakings had claimed HUCD for insured persons outpatient treatment in medical facilities not eligible for Hospital Utilisation Credits (HUC). These facilities are not classified as hospitals as no in-patient services are currently available in such facilities. Section 6A(1) of the Health Insurance Act, 1994 (as amended) defines hospital utilisation credits as *"the relevant amount payable from the Fund in respect of each hospital stay (whether on an overnight accommodation or day case basis) in private hospital accommodation, on or after 31 March 2013 if the stay is on an overnight accommodation basis and on or after 1 March 2016 if the stay is on an overnight accommodation or day case basis, by a person who is an insured person under a health insurance contract effected for any period commencing on or after the date concerned"*.

The HIA requested that a full review be carried out by these two registered undertakings for all years since 31 March 2013 to determine the quantum of HUC claimed for ineligible medical facilities. A sum

totalling €1.16million, representing HUC incorrectly claimed has been reimbursed to the Risk Equalisation Fund.

Oncology/Radiology Centres and linked Hospitals

The inspection identified two registered undertakings had claimed HUCD for insured persons outpatient treatment in Oncology/Radiology Centres not eligible in their own right for HUC.

As above, Section 6A(1) of the Health Insurance Act, 1994 (as amended) defines hospital utilisation credits as *"the relevant amount payable from the Fund in respect of each hospital stay (whether on an overnight accommodation or day case basis) in private hospital accommodation, on or after 31 March 2013 if the stay is on an overnight accommodation basis and on or after 1 March 2016 if the stay is on an overnight accommodation or day case basis, by a person who is an insured person under a health insurance contract effected for any period commencing on or after the date concerned"*.

HUC is claimable for inpatient services, in private hospital accommodation. For the purposes of submitting a HUC claim, if a patient is admitted to a hospital to receive treatment, and the treatment took place in an oncology/radiology centre, HUC is claimable in respect of the hospital where the patient was actually admitted.

HIA received confirmation that HUCD claimed in respect of such centres was on the basis that the insured persons had been admitted to a linked eligible hospital. No further action was taken.

Stamp Duty (Health Insurance Levy)

The HIA found that the registered undertakings have satisfactory & appropriate policies, procedures and controls in place in respect of the application of the appropriate stamp duty rates and for the submission of the correct Stamp Duty amounts payable per quarter. The HIA is satisfied that these procedures appear designed to ensure adequate segregation of duties, with Stamp Duty applicable rates on policy commencements or renewals undergoing various financial control checks and stages of review prior to authorisation and submission to the HIA.

Notwithstanding these control findings a number of issues came to the attention of the HIA during the Stamp Duty inspection work as follows –

- Treatment of Stamp Duty on persons switching insurers during a twelve month period.
- Treatment of Stamp Duty on persons who change level of insurance cover between advanced and non-advanced during a twelve month period.

These issues are the subject of ongoing discussions between HIA, Department of Finance, Department of Health, Revenue and Insurance Ireland.