



An tÚdarás Árachas Sláinte
The Health Insurance Authority

**RISK EQUALISATION SCHEME
INSPECTION OF REGISTERED
UNDERTAKINGS FOR THE PERIOD
2023**

1. Background and Objective of the Inspection

The Health Insurance Authority (the “Authority”) has published in this report the findings of its Risk Equalisation Scheme (RES) inspection for the calendar year 2023 which was carried out in 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; the mechanisms used to implement and support Community Rating in the Irish Health Insurance market.

The Authority is responsible for managing, administering and maintaining the Risk Equalisation Fund. The registered undertakings make transfer payments (as Stamp Duty on each policy) to the Risk Equalisation Fund (via the Revenue Commissioners).

The registered undertakings submit Risk Equalisation Credit claims to the Authority in two separate ways:

- **Interim RES Claims (submitted monthly)**
These credits include the Risk Equalisation Premium Credit (REPC), Hospital Utilisation Credit - Overnight Basis (HUCO) and the Hospital Utilisation Credit - Day Case Basis (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.

Stamp Duty submissions made to the Authority in respect of 2023 totalled c.€815 million.

Payments made by the Authority for REPC and HUC credits in respect of 2023 totalled c.€792 million.

Payments made by the Authority for HCCP credits in respect of 2023 totalled c.€38 million.

The annual insurer inspections also satisfy one of the key priorities of the Authority –

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

“The Authority 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 and Approach 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 ongoing operational controls.

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 Credit - Day Case Basis (HUCD)
- High Cost Claims Pool (HCCP)
- Interim and Annual Claims (Claims)
- Stamp Duty

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.

The following registered undertakings were in scope for the inspection

- Elips Versicherungen AG (trading as 'Laya Healthcare')
- Irish Life Health dac
- Vhi Insurance DAC (trading as 'Vhi Healthcare')

Hereinafter together referred to as "the registered undertakings".

Draft inspection findings were issued to each registered undertaking, and all written responses received were considered by the Authority prior to finalising inspection findings and this report. This ensures that the inspection process complies with the Authority's obligations under the 1994 Act and with principles of fair procedures and good administrative practice.

3. Findings and Recommendations

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

Notwithstanding these positive control findings, the Authority has identified a number of findings and recommendations as a result of the inspection. All findings set out below are based on evidence obtained during inspection fieldwork, documentation furnished by the registered undertakings and clarifications provided during the inspection process. The areas of particular concern identified are as follows:

Findings Requiring Immediate Remediation

1. Claim Paid to Incorrect Hospital

For two registered undertakings the Authority identified payments made to an incorrect hospital for a procedure carried out by another hospital. All registered undertakings should have adequate internal controls over the claims settlement cycle to ensure the accuracy and validity of claims data which ultimately feeds into the RES claim process. In addition, this is crucial to protect patients' data and privacy.

The Authority required that the two registered undertakings review their internal controls over the payment of claims to ensure payments are made to the correct claimant hospital. Such controls are necessary to prevent a recurrence of payments being made to an incorrect provider.

- The Authority recommended that the two registered undertakings develop automated system controls to reject payments with invalid permutations, i.e., the system should reject or flag payments where procedure codes do not match claimant details.
- Where the process is manual, a supervisor/manager should review supporting information for the claim to ensure payments are made to the correct claimant.
- The Authority recommended that the two registered undertakings implement an error log for system errors to assess whether additional controls are required to prevent recurrence. A supervisor/manager should review the error log. An implementation plan should be devised and monitored for new preventative controls relating to historical errors.

2. Supporting Documentation for RES Claims not available

During the inspection, the Authority identified that one registered undertaking could not provide supporting invoices and documentation for a sample of RES claims. On inquiry, the Authority was told that supporting documentation was not available to vouch the claimed amounts as it was removed from internal systems for GDPR reasons.

The Authority requested that further investigations occur to seek recovery of the removed records; and assurance and confirmation was sought from the one registered undertaking on supporting documentation for all RES claims for the period in scope.

Regulation 7(2) of the Health Insurance (Risk Equalisation Scheme) Regulations (S.I. No. 70 of 2013) (as amended), requires insurers to retain all records supporting RES claims for a period of not less than 6 years from the date on which they were created. For the avoidance of doubt, this reflects the Authority's view that system-stored records are necessary to ensure verifiable traceability and availability for inspection in accordance with Regulation 7(2).

The Authority has sought the recovery of the amounts claimed, where sufficient records were not kept, for reimbursement to the Risk Equalisation Fund. Any such reimbursement is undertaken in accordance with section 11D(7) of the 1994 Act, which permits the Authority to recover amounts not payable in accordance with the RES.

In accordance with section 33B of the 1994 Act, the Authority applies these statutory requirements consistently across all registered undertakings. Comparable issues identified during the inspection were addressed on a uniform basis across all registered undertakings.

3. Staffing and Outstanding information

During the inspection, the Authority identified that one registered undertaking was not in a position to provide some claims information, as requested in advance of the inspection. Thereafter there were significant delays in the provision of the requested data to the Authority which delayed the completion of the Inspection work.

The Authority requested that for all future RES Inspections the one registered undertaking make available all necessary staff members at the commencement of the inspection process to ensure all information and explanations are provided in a timely manner.

4. Claims for Remote Psychiatric/Counselling Treatment

During the inspection, the Authority identified that one registered undertaking had claimed Hospital Utilisation Credits (HUC) for remote psychiatric/counselling treatments/services.

The Authority is of the view that these treatments do not qualify for inclusion as HUC. The rationale for this decision is on the basis that the associated “admission” and “accommodation” do not comply with the definition of a HUC and “private hospital accommodation” as per the legislation. This interpretation is based on the definitions in section 6A(1) of the 1994 Act, which require a “hospital stay” involving physical admission and qualifying private hospital accommodation. Remote services do not constitute such admission or accommodation and therefore do not meet the statutory criteria for a HUC.

The Authority has sought the recovery of the HUC amounts claimed for reimbursement to the Risk Equalisation Fund. Any such reimbursement is undertaken in accordance with section 11D(7) of the 1994 Act, which permits the Authority to recover amounts not payable in accordance with the RES.

In accordance with section 33B of the 1994 Act, the Authority applies these statutory requirements consistently across all registered undertakings. Comparable issues identified during the inspection were addressed on a uniform basis across all registered undertakings.

Best Practice Recommendations

1. Treatment of Renewals for Older Members

The Authority found that all the registered undertakings lacked evidence of data validation checks on dates of birth and the continued existence of policyholders.

The Authority recommends that automatic checks and verifications should be conducted on members renewing once they reach a predefined age. This will help to ensure accuracy of policyholder information which is used for REPC claims and in the RES calibration process.

2. RES Claim Paid for Incorrect Family Member

During the inspection, the Authority identified that one registered undertaking had claimed HUC for the incorrect person under the same policy.

The Authority recommended that the one registered undertaking develop improved controls and checks for different members under the same policy (e.g. children linked to a parent's membership number). This data feeds into bi-annual Information Returns and RES calibration, therefore complete accuracy is essential.