



THE HEALTH
INSURANCE
AUTHORITY

An tÚdarás Árachas Sláinte

2009

Annual Report and Accounts



The Health Insurance Authority

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1. Chairman's Statement

In accordance with Section 33(2) of the Health Insurance Act, 1994, I am pleased to present the Annual Report and Accounts of the Health Insurance Authority for the year ending 31 December 2009.

It was a challenging year for the private health insurance market. The pressure on community rating intensified following the decision of the Supreme Court to set aside the Risk Equalisation Scheme in July of 2008, while increased premiums for many health insurance plans combined with the economic downturn have increased the strain on consumers trying to maintain their health insurance cover. The Authority has moved to address these challenges through the provision of advice to the Minister on interim and long term measures to protect community rating and the interests of consumers, through the implementation of these measures, and through the provision of information to consumers to assist them in getting best value in their health insurance.

As noted in previous Reports, a comprehensive risk equalisation system is required in a community rated market in order for the market to operate in the best interests of all consumers. Without a risk equalisation system, insuring older or ill people will be loss making. As a result, insurers that cover a higher proportion of older people will be at a significant competitive disadvantage. In addition, insurers would be expected to use marketing and other techniques to sell different products to younger and older people, with higher premiums being charged to the older group. It follows that, without risk equalisation, competition will not function properly and the market will operate counter to the interests of ill and older people. This is why it is the international norm for risk equalisation to apply in community rated markets.

Community rating came under increased strain after the Risk Equalisation Scheme was set aside in 2008. There was a significant increase in the number of lower cost health insurance products that are not publicised by insurers. Instead these plans are sold directly to lower risk corporate groups. As a consequence, there has been further segmentation of the health insurance population by risk. Approximately half of the insured population now has a health insurance product that few older people have purchased. In the absence of a risk equalisation system, there is no mechanism requiring that the premiums of this half of the insured population make an appropriate contribution to the claim costs of older people. In these circumstances, the vast majority of the higher claim costs of older people are funded by the premiums of the other half of the insured population and, on average, older people are paying more for their health insurance.

The Authority provided advice to the Minister on interim and long term measures aimed at addressing this situation and this advice was reflected in the Health Insurance (Miscellaneous Provisions) Act, 2009 ("the 2009 Act") and in the Government "Strategy for a Stable and Community Rated Health Insurance Market" announced in May 2010. The 2009 Act introduced an interim levy/tax based system to support community rating by providing for a mechanism whereby the claims costs of older people are supported. The Act also contains other measures to protect the interests of consumers, including in relation to enforcement and consumer information. In 2009, the Authority commenced work in the central roles that it has been assigned in relation to each of these matters.

While the measures introduced by the 2009 Act are necessary in order to provide immediate supports to community rating, they are not sufficient to maintain a community rated market and protect the interests of consumers in the longer term. In particular, the Authority has advised the Minister that a range of further measures are required, including a robust risk equalisation system, new minimum benefit regulations, lifetime community rating and making Vhi Healthcare an authorised insurer subject to the requirements of the Financial Regulator. Each of these points is included in the Government strategy that was announced in May 2010. As part of this strategy, the Authority is currently in the process of conducting consultations in relation to risk equalisation and minimum benefit.

The economic downturn impacted on the health insurance market in 2009 when, for the first time, the total market size declined. The size of the market peaked at the end of 2008, when 2.30 million people had health insurance. By the end of 2009 the number of people with insurance had declined to 2.26 million. The impact of the downturn was also evident from research carried out by the Authority in 2009, which showed that, while consumers continue to value health insurance, affordability has become more of an issue. While the reduction in the insured population is small in relative terms, the fact that the market has ceased to grow is significant and raises the question of whether the current economic downturn will result in a more substantial decline. In a community rated market based on intergenerational solidarity, retention of existing profitable members and an influx of new younger members are key to market stability. In this context, the proposed introduction of lifetime community rating would help to support the market.

Under the consumer information function assigned to the Authority in the 2009 Act, the Authority provides information to consumers on their rights and on the options available to them. Information is provided with insurers' renewal statements, through the media, in health centres and doctors' surgeries and via the Authority's website. The Authority's website includes a facility to help consumers choose their health insurance product from all of the products available in the market. In this way consumers can make substantial savings on their health insurance costs. The Authority also provides this service by telephone and by post. The service has proven very popular with consumers and 500 consumers per day now access the Authority's information services via website, telephone, post or information booklet.

I am pleased to recognise the work and dedication of the Members of the Authority during 2009. In doing so, I wish to acknowledge the substantial contribution of Mr. Aidan O'Donnell, who served as a Member of the Authority from 2001 to 2009. I would also like to thank the Minister for Health and Children, Ms. Mary Harney T.D., as well as officials in her Department, for their support during the year.

Finally, the Authority expresses its appreciation for the work done by the staff of the Authority and for the commitment shown by them throughout 2009.



J. Joyce, *Chairman*

28 June 2010

2. Membership and Staff of the Authority

Membership

The Members of the Authority are appointed by the Minister for Health and Children for a term of five years. The current Members of the Authority are:



Mr. Jim Joyce (Chairman)

Mr. Joyce became Chairman of the Authority on 1 February 2006. Mr. Joyce is a Fellow of the Institute of Actuaries and the Society of Actuaries in Ireland and served as President of the Society for 1999/2000. His early career was in the Civil Service ending as Assistant Secretary in the Department of Posts and Telegraphs, following which he was Executive Director of Telecom Éireann from 1984 to 1992. He was Actuarial Consultant to the Department of Enterprise, Trade and Employment and then to the Irish Financial Services Regulatory Authority from 1992 to 2005.



Mr. Dónall Curtin

Mr. Curtin is a founder and Senior Partner of Byrne Curtin Kelly (Certified Public Accountants). He is a member of the Institute of Certified Public Accountants in Ireland. He is a Director on the Board of the Dublin Docklands Development Authority. Mr. Curtin is also a Director of Chambers Ireland and a member of the Chartered Institute of Arbitrators with considerable experience in arbitration, mediation and dispute resolution.



Ms. Mary Doyle

Ms. Doyle is the Head of Prudential Supervision and Risk with the Irish Banking Federation. She is an Economist with extensive experience of Irish banking and business, focused on strategic economic analysis and developments in banking regulation. Ms. Doyle has acted as an Economic Consultant for the World Bank and has undertaken research in the fields of training, tourism and EU regional policy. She has been a member of a number of industry-wide advisory groups, including the Irish Business and Employers Confederation and the Irish Banking Federation.

Mr. Aidan O'Donnell – *Resigned from the Authority on 25 June 2009*



Ms. Sheelagh Malin – *Appointed to the Authority on 6 May 2010*

Ms. Malin is Managing Director of St. James's Place International plc, which is part of the UK wealth management group St. James's Place. She has over 20 years management experience in the life assurance industry, including roles in marketing and product development, financial reporting, compliance and the statutory "appointed actuary" function. She is a Fellow of the Society of Actuaries in Ireland and has participated in actuarial working parties on financial reporting, expense reserving and consumer information for cross-border life assurance business.



Mr. Paul Turpin

Mr. Turpin is a governance specialist with the Institute of Public Administration (I.P.A.) providing advisory and training services. Before joining the I.P.A. in 2006, he held a number of senior positions in banking and investment management. Previously he has worked in the public sector, including as Economic Adviser to Government Departments, with the National Economic and Social Council and with the European Commission.

Management

The Management Team of the Authority is as follows:



Mr. Liam Sloyan

Chief Executive/Registrar



Mr. Eamonn Horgan

Corporate Affairs Manager/Secretary to the Authority



Mr. Brendan Lynch

Head of Research/Technical Services



Mr. Micheal O'Briain

Head of Regulatory Affairs



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3. Functions of the Authority

The Authority was established by Ministerial Order on 1 February 2001 under the Health Insurance Act, 1994 and operates in accordance with the provisions of this Act and the Health Insurance (Amendment) Acts (collectively “the Health Insurance Acts”).¹ This legislation provides for the operation and regulation of the business of private health insurance in Ireland and legislates for the principles of private health insurance in Ireland, namely, community rating, open enrolment, lifetime cover and minimum benefit.

The principal functions of the Authority as provided for in the Health Insurance Acts include the following:

- to monitor the health insurance market and to advise the Minister (either at his or her request or on its own initiative) on matters relating to health insurance;
- to monitor the operation of the Health Insurance Acts and, where appropriate, to issue enforcement notices to enforce compliance with the Acts;
- to carry out certain functions in relation to health insurance stamp duty and age related tax credits and in relation to any risk equalisation scheme that may be introduced;
- to take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them; and
- to maintain the “Register of Health Benefits Undertakings” and the “Register of Health Insurance Contracts”.

The Authority shall exercise such powers as are necessary for the performance of its functions. The Minister for Health and Children (“the Minister”) may assign further responsibilities to the Authority as provided for in the Acts.

¹ The Health Insurance Act, 1994 (Establishment Day) Order, 2001. (S.I. No. 40 of 2001).

3.1 Regulation

3.1.1 Regulatory Structure of the Market

The Irish private health insurance regulatory system is based on the key principles of community rating, open enrolment, lifetime cover and minimum benefit and aims to ensure that private health insurance does not cost more for those who need it most. The system is unfunded, meaning that there is no fund built up over the lifetime of an insured person to cover their expected claims cost. Instead, the money contributed by insured people is pooled by each insurer and the cost of claims in any given year taken from the pool.

It is in this context that the concept of community rating must be understood. This means that the level of risk that a particular consumer poses to an insurer does not affect the premium paid. In other words, everybody is charged the same premium for a particular plan, irrespective of age, gender and the current or likely future state of their health subject to exceptions in respect of children under 18 years of age, students in full time education, members of group schemes and pensioners of restricted membership undertakings.

Open enrolment and lifetime cover mean that, except in very limited circumstances specified in legislation, health insurers must accept all applicants for health insurance and all consumers are guaranteed the right to renew their policies regardless of their age or health status.

Under the Minimum Benefit Regulations, all insurance products that provide cover for inpatient hospital treatment must provide a certain minimum level of benefits. It is considered necessary to regulate the minimum level of benefits because of the complex and specialist nature of private health insurance products, which without regulation, could result in consumers being provided with products that do not provide a sufficiently comprehensive level of cover.

3.1.2 Risk Equalisation

Risk equalisation is a process that aims to equitably neutralise differences in insurers' claim costs that arise due to variations in the health status of their members. Risk equalisation involves transfer payments between health insurers to spread some of the claims costs of high-risk members amongst all the private health insurers in the market in proportion to their market share. Risk equalisation is a common mechanism in countries with community rated health insurance systems and the introduction of a Risk Equalisation Scheme in Ireland is provided for in the Health Insurance Acts.

In 2003, the Minister for Health and Children (the Minister) introduced a Risk Equalisation Scheme under the Health Insurance Acts. Under the Scheme, payments would only commence if the Authority recommended that they be commenced and the Minister accepted the Authority's recommendation. The Minister decided, on the Authority's recommendation, which referred to risks now materialising, to commence risk equalisation under the then applicable legislation as from 1 January 2006, but in the event the relevant legislation was overturned in the Courts in 2008.

Following the quashing of the 2003 Risk Equalisation Scheme, the Government announced its intention to introduce a new risk equalisation system that is "robust, transparent and effective". The Government recognised that such a system would take significant time to develop and introduced interim measures to support community rating in the Health Insurance (Miscellaneous Provisions) Act, 2009. See Section 3.1.3.

Report Submitted to the Minister in November 2009

In November 2009, at the request of the Department of Health and Children, the Health Insurance Authority submitted a Report advising on the factors that may be included in a risk equalisation system, having regard to the principal objective of the health insurance legislation, good international practice and the features of the Irish health insurance market. The Report, which included detailed consideration of risk equalisation systems in six different jurisdictions, concluded that the full benefits for consumers of a community rated market would not be achieved in the absence of an effective risk equalisation or loss compensation system that sufficiently addressed health status differences as well as age and gender differences. The review of international systems showed that systems based only on the risk factors of age and gender were not deemed sufficient to support the operation of community rating in the interests of consumers.

3.1.3 The Health Insurance (Miscellaneous Provisions) Act, 2009

Following the Supreme Court judgment in July 2008 the Authority wrote to the Minister for Health and Children in August 2008 providing advice in relation to the consequences of the Supreme Court judgment. The Authority advised that, in the Irish community rated market without Risk Equalisation, younger consumers (those under the age of 50) are, on average, profitable, while those over the age of 50 are, on average, unprofitable. In particular, those over the age of 70 tend to be extremely unprofitable. In the absence of Risk Equalisation, the following consequences are likely (in point of fact, the market has been trending in some of these directions for some time already):

- Insurers will design and market products so as to reduce their attraction to older customers.
- Insurers will attempt to segment their risks so that older customers are sold products that cost more or include a lower level of benefits.
- Insurers with more favourable risk profiles will be protected from real competition. Product promotion will feature risk selection and marketing spend rather than product quality and service.
- The most successful insurers will be those that can best select and segment risk, not necessarily those that provide the best service.
- Insurers with worse risk profiles will be obliged to charge higher premiums or incur losses. Switching of younger customers may exacerbate their problems.

At the time, the Authority suggested that alternatives for addressing these issues would be either to reconstitute the Risk Equalisation Scheme in some form or introduce some form of levy based or tax based loss compensation system. The Authority also recommended a range of other measures to support community rating.

Following this initial memorandum, the Authority continued to provide advice to the Minister and the Department on how community rating could be supported and on the legislation generally. This process culminated in the enactment of the Health Insurance (Miscellaneous Provisions) Act in July 2009.

The Principal Objective

The Health Insurance (Miscellaneous Provisions) Act, 2009 sets out the principal objective of the Minister and the Authority under the Health Insurance Acts. The principal objective is directly linked to the concept of community rating and includes *“to ensure, in the interests of the common good, that access to health insurance cover is available to consumers of health services with no differentiation made between them (whether effected by income tax or stamp duty measures or other measures, or any combination thereof), in particular as regards the costs of health services, based in whole or in part on the respective age range and general health status of the members of any particular generation (or part thereof)...”*.

The legislation also prohibits insurers from engaging in practices that avoid the achievement of the principal objective and assigns to the Authority the function of advising the Minister as to whether in the opinion of the Authority the principal objective of the legislation is being achieved to the appropriate extent.

Interim Taxation Measures to Support Community Rating

The Health Insurance (Miscellaneous Provisions) Act, 2009 introduced a system of age based tax credits to support community rating. The Act provides that Open Membership Insurers receive higher premiums in respect of insuring older people, but that older people receive tax credits equal to the amount of the additional premium so that all people continue to pay the same amount for their health insurance. In this way community rating is maintained but insurers receive higher premiums in respect of older people to partly compensate for the higher level of claims. The tax credits in 2009 were €200 for those aged 50 to 59; €500 for those aged 60 to 69; €950 for those aged 70 to 79 and €1,175 for those aged over 80. The tax credits started from the 2009 renewal date.

In order to fund the system, Open Membership Insurers pay a Community Rating Levy in respect of all individuals covered for health insurance. In 2009, this levy was €160 for adults and €53 for children.

The community rating levy and tax credits, like the existing tax relief at source of 20% of premium, are administered by the health insurance undertakings.

The legislation provides that the interim measures will be in place for three years. In May 2010, the Minister for Health and Children stated that it is proposed that a robust risk equalisation system would apply from 2013 and that a transitional system will apply from the end of the interim measures until the commencement of the robust system.

Determining the Amounts of the Age Related Tax Credits and Community Rating Levy

The Health Insurance (Miscellaneous Provisions) Act, 2009 sets out how the age related tax credits are determined. Under the Act:

- The Authority evaluates and analyses claims, population and other data included in returns from insurers every 6 months.
- Once a year (in the autumn), if requested to do so by the Minister, the Authority issues a Report to the Minister on its evaluation and analysis. This Report includes recommendations on the amounts of the age related tax credits and the amount of the community rating levy. The recommendations have regard to the principal objective and the objective of avoiding overcompensation.
- The Minister may, having regard to the Authority's Report, the principal objective and competition make recommendations to the Minister for Finance on the amounts of the age related tax credits and on the amount of the community rating levy. The amounts become law if approved by the Oireachtas.

During 2009, the Authority provided advice to the Minister in relation to requirements for Regulations setting out the data to be included in the six-monthly information returns submitted to the Authority. The Health Insurance Act 1994 (Information Returns) Regulations were signed into law on 29 July 2009.

The Authority received information returns for the first half of 2009 from each of the open membership insurers. A report on the evaluation and analysis of these returns, which included the Authority's recommendation on the amounts of the age related tax credits and community rating levy, was submitted to the Minister in October. In December, the Minister announced that it had been determined that the amounts of the age related tax credits for policies commencing after 1 January 2010 would be as follows:

Age Band	Tax Credit
50-59	€200
60-69	€525
70-79	€975
Over 80	€1,250

The community rating levy for policies commencing in 2010 is €185 for adults and €55 for children.

Assessing Whether Overcompensation Occurs

The Authority is also required to assess whether the interim measures overcompensate any insurer:

- Once a year, by 1 April, insurers provide the Authority with profit and loss accounts and balance sheets insofar as they relate to business covered by information returns;
- The Authority assesses if any insurer has been overcompensated by the interim measures, enabling them to earn in excess of a reasonable profit. If the Authority is minded to take the view that an insurer has been overcompensated, the Authority will issue a draft report to the insurer. The Authority will then take account of any submissions received from that insurer before deciding whether overcompensation has occurred; and
- If the Authority decides that overcompensation has occurred it issues a report stating the amount of the overcompensation to the Minister and the insurer concerned. The insurer must then refund the amount of overcompensation to the Exchequer.

The first such assessment will be in respect of 2009 and will be conducted in 2010.

Further Amendments to the Health Insurance Acts

In 2008 and 2009, the Authority also provided advice to the Minister on a range of other measures to support community rating and facilitate competition in the health insurance market. In this context, the Health Insurance (Miscellaneous Provisions) Act, 2009 includes the following amendments to the Health Insurance Acts:

- The Minister, following consultation with the Authority, may prescribe information to be included with health insurance contracts, offers of health insurance contracts and advertisements;
- The Authority is mandated “to take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them”;
- Insurers are required to maintain all offers in health insurance contracts for a period of not less than 31 days;
- Insurers are required to submit new contracts to the Authority at least 10 working days before offering them to potential customers;
- The Authority maintains and publishes a Register of Health Insurance Contracts;
- No new restricted membership undertakings may provide cover for inpatient hospital services; and
- The Authority may issue enforcement notices where it is of the opinion that an insurer is contravening a provision of the Health Insurance Acts.

3.1.4 Enforcement Notice

The Health Insurance Acts (as amended by the 2009 Act) provide that the Authority may issue enforcement notices where the Authority is of the opinion that an insurer is contravening a relevant provision. The Authority issued one enforcement notice during 2009. The notice was issued to Vhi Healthcare because the Authority considered that Vhi Healthcare contravened the Health Insurance Acts by failing to submit proposed new health insurance contracts to the Authority 10 working days before offering the contracts to potential customers. The Enforcement Notice required that Vhi Healthcare confirm in writing to the Authority that, in respect of each new type of health insurance contract, it would submit a sample of the contract to the Authority at least ten working days before offering such contract.

3.1.5 The Register of Health Benefits Undertakings

The Authority is responsible for the maintenance of “The Register for Health Benefits Undertakings” (“the Register”). Section 14 of the Health Insurance Acts, provides that any health insurer carrying on health insurance business in Ireland is required to register with and obtain a certificate from the Authority.

Application for renewal of registration is required on an annual basis. Upon registration, a certificate is issued to the health insurer, confirming that the insurer may offer private health insurance in accordance with the terms of its rules and within the relevant legislation.

There are two types of health insurance undertakings in Ireland. Open Membership Undertakings are health insurers that must accept all customers who wish to obtain private health insurance (subject to certain limited restrictions as specified in the legislation). Restricted Membership Undertakings are mainly vocational schemes, membership of which is restricted to employees of particular organisations. The 2009 Act provides that no new Restricted Membership Undertakings may be established.

Undertakings on “The Register of Health Benefits Undertakings” at 31 December 2009 are listed in Appendix C.

HSF Hospital Saturday Fund

At the time that the Health Insurance Act 1994 was enacted, a partial exemption from certain provisions of the Act was granted to HSF Hospital Saturday Fund (HSF) and HSA Hospital Savings Association (HSA). Each of these organisations sold products that combined cash payments linked to the length of stay in hospital with cover for outpatient health services. Under the terms of the partial exemption, the products were not considered health insurance contracts and the two organisations were not required to register with the Health Insurance Authority. HSF purchased HSA’s Irish business in 2008.

The Voluntary Health Insurance (Amendment) Act, 2008 provided for the removal of the partial exemption. The Minister subsequently determined to remove the partial exemption on 31 March 2010. As a result, in order to carry on health insurance business in Ireland, from 1 April 2010, HSF is required to register with the Health Insurance Authority and comply with all related requirements of the Health Insurance Acts. In 2009 and early 2010 the Authority worked with HSF in relation to its application for registration and its preparations for complying with the requirements on registered undertakings. HSF was added to the Register of Health Benefits Undertakings on 1 April 2010.

3.2 Research and Advice

3.2.1 Commissioned Research on the Health Insurance Market

In 2009, the Authority commissioned Red C Research and Marketing Ltd to carry out a research study of the private health insurance market in Ireland with the following specific requirements:

- (a) to provide an update of key trends among consumers, including attitudes to switching;
- (b) to review consumer attitudes to health insurance in recessionary times; and
- (c) to provide an update on the employer group scheme market segment and possible insights into future trends.

This was the fourth such research project that the Authority has conducted since its establishment in 2001. The series of research reports provides valuable information on the health insurance market, including trends over time in the market.

The research work included a national face-to-face survey of 1,000 adults and a survey of 300 businesses.

The principal findings of the research are as follows:

- Vhi Healthcare continues to lose market share;
- Consumers value their health insurance cover highly and there was a high level of satisfaction among consumers with regard to health insurance;
- The recession has impacted on the demand for health insurance, although the decline of the proportion of the population with health insurance has been small to date.
- Key reasons given by former consumers for no longer having health insurance include cost (44%) and loss of job (19%);
- The number who plan to upgrade or maintain their level of cover over the next 12 months dropped from 89% in 2007/2008 to 73% (22% don't know).
- 16% of respondents say that they have switched insurance provider (compared with 10% in 2007/2008).
- Private health insurance continues to be the second most valued employee benefit after a pension.

A report on the Research was finalised and submitted to the Minister in May 2010 and was subsequently published.

3.2.2 Monitoring the Health Insurance Environment

Market Size and Structure

As can be seen from Appendix A, the health insurance market grew steadily for many years. The total market increased from 1,871,000 at the end of 2001, the year the Authority was established, to 2,299,000 at the end of 2008. In 2009, the total market size declined for the first time to 2,262,000. While the reduction was small in relative terms, the fact that the market has ceased to grow is significant and raises the question of whether the current economic downturn will result in a more substantial decline in the next few years. In a community rated market based on intergenerational solidarity, retention of existing profitable members and an influx of new younger members are key to market stability.

Appendix A gives details of trends in market share and a breakdown of current market shares by age as between insurers. It can be seen that market shares differ substantially for different age groups. This is significant because claim rates rise rapidly with age. This is starkly illustrated in Appendix B.

In the first 10 years of a competitive market Vhi Healthcare experienced a relatively steady decline in market share of around 0.5 percentage points per quarter. The rate of decline in Vhi Healthcare's market share has increased in recent years and in the last 12 months Vhi Healthcare has lost market share at a rate of 0.8 percentage points per quarter.

Unsurprisingly, Vhi Healthcare's losses in terms of market share are mainly in the younger age cohorts. By the middle of 2009, Quinn Healthcare and Hibernian AVIVA Health, between them, had around 40% of the 30 to 39 age group, but less than 5% of the over 80s. In addition, the Authority expects that, within age groups, Vhi Healthcare would have a disproportionately high share of unhealthy lives. The Authority is of this view because it considers that unhealthy people are less likely to switch insurer due to perceived risks involved.

Product Issues

There has been a substantial increase in the number of health insurance products and product variations in the marketplace in 2009. There were 182 product variations in total in the marketplace at the end of 2009. The Authority reviews all products in the marketplace on an ongoing basis for compliance with the health insurance legislation and Regulations.

Some of the notable developments in recent years include the following:

- an increase in the number of primary care products that are either stand-alone or are product add-ons;
- an increase in the number of products marketed towards occupational groups or individual companies' employees;
- a significant increase in claims excesses on products;
- large variations in maternity care cover between different products; and
- the introduction of products that provide cover for a private room in public hospitals but only cover a limited number of private hospitals.

Market Segmentation

Because the current interim measures to support community rating only compensate for 50% of age related claim differences, it is very profitable for insurers to recruit younger healthier consumers and avoid older less healthy ones. Where insurers provide cover to older consumers, there is an incentive to sell different products to older and younger consumers in order to allow differential pricing. Despite community rating, there is evidence of this in the market place. What we have in the market at present is a diluted form of community rating, which reflects the limited support to community rating provided by the interim tax credit/levy system.

Insurers have run special offers/marketing campaigns aimed at preferred segments of the market. These have involved one day sales on corporate plans, products aimed at group schemes offering more favourable terms and additional benefits that are aimed at younger customers. All insurers have better value plans, the full details and prices of which are not easily found on their websites. These plans are sold directly to lower risk corporate group schemes. Certain measures, for example prior notification of new products to the Authority, introduced by the Health Insurance (Miscellaneous Provisions) Act, 2009 address some of these issues to an extent.

The net effect of segmentation of risk both between and within insurers is that older and less healthy people are, on average, paying more for health insurance cover. This is why a comprehensive risk equalisation system is needed. In the meantime, the recently introduced product comparison tool on the Authority's website will provide assistance in this area.

In early 2009, Vhi Healthcare intensified its segmentation strategy. It sold a number of corporate plans directly to certain company schemes without publishing details of them. Products were only on offer for a very short period (sometimes a day) and prices could change on a daily basis. Versions of the plans covering 366 days were sold at lower prices

to different group schemes on the basis that the contracts covered a different period of time. As a result, it was in practice impossible for individuals to purchase these products on the same terms as lower risk corporate group schemes. The Authority investigated the matter and issued a report to the Department of Health and Children. Subsequently, Vhi Healthcare ceased the practice from 1 March.

A range of measures were introduced in the Health Insurance (Miscellaneous Provisions) Act, 2009 aimed at ensuring that all products are accessible to individuals. In particular, the following requirements were introduced:

- Products must be available for at least 30 days;
- In most cases contracts must have a term of exactly one year;
- Insurers must notify the Health Insurance Authority of any new products or changes to products; and
- The Authority will provide consumers with information on products currently available.

These and other legislative measures have an effect in restricting some risk segmentation strategies and in making products more accessible to all consumers. It is, however, likely that insurers will continue to devise means of selecting better risks and segmenting their risks so that higher risk customers are sold products that cost more as long as the incentive exists for insurers to do so. The Authority has advised the Minister that a comprehensive risk equalisation/loss compensation mechanism is required to support a health insurance system with community rating and open enrolment. Such a mechanism would remove the incentive for insurers to charge different prices to different risk groups.

Vhi Healthcare – First Plan Extra

On 1 September 2009, Vhi Healthcare introduced a new health insurance product (First Plan Extra), which did not provide cover in public hospitals for orthopaedic procedures or for major eye surgery (including cataract surgery) and only provided 35% cover for these procedures in private hospitals (semi-private accommodation). On 9 September, the Authority wrote to Vhi Healthcare informing it that it was of the preliminary view that these contracts may have contravened the Principal Objective of the legislation and the Minimum Benefit Regulations. Prior to finalising its view, the Authority invited Vhi Healthcare to make submissions in relation to the matter. On 16 September, Vhi Healthcare informed the Authority that it would be amending the benefits on this product to provide full cover for major eye surgery in public and private hospitals (semi private accommodation), full cover for orthopaedic treatments in public hospitals and 80% cover for orthopaedic procedures in private hospitals (semi-private accommodation).

Quinn Healthcare – Cover for St. Patrick’s Private Psychiatric Hospital

On 18 March 2009, Quinn Healthcare wrote to its customers informing them that, with immediate effect, Quinn Healthcare would not cover St. Patrick’s and St. Edmondsbury private psychiatric hospitals. The letter did not set out how people currently receiving treatment in those hospitals would be accommodated. The Authority received a large number of calls from members of Quinn Healthcare who were receiving treatment in these hospitals or had a relationship with these hospitals.

Many customers who valued cover for these hospitals contacted AVIVA Health and Vhi Healthcare with a view to switching provider. AVIVA Health and (initially) Vhi Healthcare stated that they viewed cover for St. Patrick’s and St. Edmondsbury’s as an upgrade in cover for people switching from Quinn Healthcare and stated that they would apply waiting periods.

The Authority wrote to Quinn Healthcare stating that it was concerned with the lack of notice of the change in cover and with the fact that correspondence with consumers did not provide details of how people undergoing treatment or scheduled to commence treatment would be affected. The Authority also referred the matter to the Financial Regulator in view of the fact that the Financial Regulator’s Code of Conduct requires that “where a regulated entity intends to amend or alter the range of services it provides, it must give notice to affected consumers at least one month in advance of the amendment being introduced”.

In addition, the Authority wrote to AVIVA Health and Vhi Healthcare querying their practices of applying upgrade in cover waiting periods in respect of cover in St. Patrick’s Hospital.

On 1 April, Vhi Healthcare announced that it would not apply upgrade in cover waiting periods in respect of cover in St. Patrick’s Hospital to customers switching from Quinn Healthcare.

On 2 April, Quinn Healthcare wrote to its members informing them that “there will be no impact on those members who are currently undergoing treatment or scheduled to commence treatment in the hospitals”. Quinn Healthcare further clarified that this would also apply to members who have a relationship with St. Patrick’s Hospital.

On 23 April, Quinn Healthcare informed the Authority that it had resolved its contractual issues with St. Patrick’s Hospital and that full cover had been resumed.

Lifetime Community Rating

Lifetime community rating is a system whereby insurers may charge a higher premium to those who take out health insurance for the first time later in life. Under lifetime community rating a 70 year old person who has been insured since the age of 30 would pay the same premium as a 30 year old but a 70 year old who was not previously insured could be charged a higher premium. The Authority considers that the introduction of lifetime community rating would reduce the risk of consumers delaying entry to the health insurance market until later in life, which would lead to higher premiums for all.

The Health Insurance Acts provide for the introduction of Regulations establishing a system of lifetime community rating in Ireland and the Minister has stated her intention to introduce such Regulations. In 2009 the Authority reviewed draft Lifetime Community Rating Regulations and provided advice to the Minister.

Open Enrolment

Inter alia, in view of the proposed introduction of lifetime community rating, it is also proposed that the Open Enrolment Regulations will be amended. Draft Regulations have been circulated to insurers for consideration.

Minimum Benefits

The Authority monitors compliance with the Minimum Benefit Regulations, which are important for the effectiveness of community rating and for consumer protection.

At the request of the Minister, the Authority prepared a draft consultation paper for a review of Minimum Benefit Regulations. The Minister requested that the consultation paper not be issued until she considered the policy issues together with proposals for a new risk equalisation scheme because some issues for consideration are common to both topics.

Compliance with Minimum Benefit Regulations

Following a review of health insurance products, the Authority noted that the terms of some policies that included an excess could result in less than minimum benefit being paid to some customers for low cost day patient or inpatient procedures. The Authority queried this matter with the relevant insurers. Vhi Healthcare confirmed that in c. 750 cases minimum benefit had not been paid. Vhi Healthcare refunded each of these consumers. Approximately 95% of refunds were for amounts less than €30.

3.3 Consumer Interests

The interests of consumers are of key importance to the Authority. One of the functions of the Authority as provided for in the Health Insurance Acts is “to take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them”.

Within this remit, the Authority aims to increase consumer awareness of their rights and assist them in understanding health insurance products. The Authority also monitors the provision of information to consumers by insurers as well as monitoring compliance with the Health Insurance Acts.

3.3.1 Consumer Queries and Complaints

The Authority assists consumers by answering queries regarding health insurance and by assisting them in resolving disputes with insurers. In 2009, the volume of queries and complaints received by the Authority rose to over 1,100 from approximately 600 in 2008. The increase in the level of queries was most marked from the end of November onwards, with December alone having over 200 calls. The increase in the level of contacts coincided with the launch of a new website by the Authority which includes an online product comparison tool.

Topics that were most frequently raised with the Authority were:

- requests for comparisons between health insurance products;
- general queries regarding health insurance products and waiting periods;
- rights in relation to switching insurers;
- the cost of private health insurance;
- requests for the Authority’s information publications; and
- service standards of insurers.

During 2009, the Authority intervened successfully on behalf of consumers in relation to issues arising with respect to their health insurance. Two examples of cases addressed by the Authority are set out below.

Case Study 1

A consumer switched insurers midway through her pregnancy. She submitted a claim for pre-natal outpatient care to the first insurer and a maternity inpatient claim for the second insurer. The first insurer refused the claim on the basis that the customer did not have her baby while insured with it. The Authority contacted the insurer and queried the basis upon which this claim was being refused.

The insurer investigated the claim and acknowledged the consumer had been misinformed and would be reimbursed in full for her pre-natal care according to the benefits of her health insurance policy.

Case Study 2

A consumer switched payment of her health insurance policy from a deduction from her wages to regular direct debit payment from her bank account. The insurer advised this would involve cancellation of her policy and commencement of a new policy, thereby incurring a higher premium as the insurer had recently applied a price increase.

The Authority contacted the insurer and queried how the insurer purported to cancel the consumer's policy mid-term without her authorisation. The insurer investigated the complaint and acknowledged the original contract would remain in force with the original premium.

3.3.2 Consumer Information

The Health Insurance Act 1994, as amended, provides for the Authority to take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them. The Authority provides consumer information through a number of different channels, including the following:

- Consumer information statements from the Authority are included in renewal notices issued by insurers.
- The Authority's website includes detailed consumer information, including a product comparison facility covering all products available in the market.
- Advertorials and advertisements are placed in the national and local press.

- Consumer information booklets are distributed through over 1,200 locations, including doctors surgeries, hospitals and citizens information centres.
- The Authority publishes a regular Newsletter.
- The Authority also issues product comparisons and other consumer information by post on request.

Website

The Authority redeveloped its website in 2009 in light of the increased consumer information functions allocated to the Authority in the Health Insurance (Miscellaneous Provisions) Act, 2009. A new product comparison tool was developed for the site which allows consumers to choose the most appropriate plans for their circumstances and compare benefits and prices of plans side by side. This new comparison tool provided consumer accessibility to details of every plan on the market and is the only resource where this information is available. A number of other changes were made to increase the accessibility of the site.

In tandem with the launch of the website, the Authority initiated a media and advertorial campaign aimed at informing consumers of the significant savings that most consumers can make after visiting the website. The campaign highlighted the fact that all insurers have a range of “corporate” plans, details of which are not easily found on insurers’ websites. These plans are marketed directly to corporate schemes. The corporate plans often offer similar benefits to plans marketed to individuals but at lower prices. The Authority’s campaign highlighted the fact that individuals are also entitled to purchase these corporate plans and full details of them are available on the Authority’s website.

Website hits increased dramatically following the launch of the new website in early December 2009. By mid February 2010 the website had received over 20,000 hits in comparison to an average of 2,800 hits per month prior to the website launch.

The website was also enhanced to include a Frequently Asked Question’s section, a Jargon Buster page and a Latest News section. The Latest News section carries information of price promotions, new plans and changes to existing plans. Consumers may also sign up to an online newsletter which will deliver current health insurance news to their inbox.

4. Corporate Affairs

4.1 Strategy

The Authority is an independent regulator for the private health insurance market in Ireland. In fulfilment of this role, the Authority developed its work plan to include a vision, mission and values.

The Vision of the Authority

The vision of the Authority is to “benefit the common good by facilitating a competitive health insurance market whilst preserving community rating, open enrolment and lifetime cover”.

The Mission of the Authority

The mission of the Authority is:

- to monitor the health insurance market and to advise the Minister (either at his or her request or on its own initiative) on matters relating to health insurance;
- to monitor the operation of the Health Insurance Acts and, where appropriate, to issue enforcement notices to enforce compliance with the Acts;
- to carry out certain functions in relation to health insurance stamp duty and age related tax credits and in relation to any risk equalisation scheme that may be introduced;
- to take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them; and
- to maintain the “Register of Health Benefits Undertakings” and the “Register of Health Insurance Contracts”.

The Values of the Authority

The Authority has adopted values to apply in its activities. The values of the Authority are to:

- maintain its independence;
- act always with impartiality and integrity;
- work in a professional and effective way;

- meet its unique challenges by being receptive to new ideas and suggestions from all sources and innovative in its approach;
- maintain transparency in all its work; and
- value its people.

4.2 Corporate Governance

Corporate Governance Code of Practice

The Authority updated its “Code of Practice for the Governance of the Health Insurance Authority” based on the updated “Code of Practice for the Governance of State Bodies” issued by the Department of Finance in May 2009.

Ethics in Public Office

The Authority is included in Statutory Instrument No. 699 of 2004 for the purposes of the Ethics in Public Office Acts, 1995 and 2001. The Members of the Authority and relevant staff have fulfilled their obligations under this legislation.

Annual Report and Accounts

The Annual Report and Accounts for 2009 were prepared and submitted to the Office of the Comptroller and Auditor General (“the C&AG”) for audit. These Accounts have been audited and approved by that office and are set out in this Annual Report at Section 5. The Authority adheres to corporate governance documentation issued by the C&AG in 2003 setting out guidelines and standards for submission of accounts for audit.

Official Languages

The Authority is compliant with the Official Languages legislation and maintains contact with the Department of Community, Equality and Gaeltacht Affairs in this regard.

Freedom of Information

The Health Insurance Authority came within the scope of the Freedom of Information Act with the passage of the Freedom of Information Act 1997 (Prescribed Bodies) Regulations 2006, effective from 31 May 2006.

In addition to processing requests made under the Freedom of Information Acts as they are received, the Authority published two booklets, “A Guide to the Functions of and Records Held by the Authority” and “A Guide to the Rules, Procedures, and Practices of the Authority”, which together guide applicants through the Freedom of Information process. The guides are compiled in accordance with the Freedom of Information Acts and are published on the Authority’s website.

4.3 Relationship with Stakeholders

Throughout 2009 the Authority has endeavored to maintain appropriate professional relationships with stakeholders in the Irish private health insurance market and has been receptive to suggestions and ideas from all sources. In order to do this, the Authority met regularly with stakeholders to discuss matters that fall within the Authority's areas of responsibility and, insofar as is possible, maintained transparency in its work. These stakeholders include consumers, insurers, professional bodies and other regulators.

Communications Strategy

The Authority operates a policy of openness, consultation and discussion with relevant interested parties. The Authority welcomes communication with consumers, stakeholders and other interested parties in the provision of a regulatory service and in the performance of its functions.

4.4 Resources

Staff

The Authority has sanction for nine staff.

Funding

The operations of the Authority are funded by a levy on Registered Undertakings in accordance with Section 17 of the Health Insurance Act, 1994.² The Levy Regulations introduced by the Minister in 2001 set the rate to be paid at 0.14% of premium income of registered undertakings, which is payable on a quarterly basis.

² The Health Insurance Act, 1994 (Section 17) Levy Regulations, 2001 (S.I. No. 255 of 2001).

Report and Accounts 2009



5. Report and Accounts

for the year 1 January 2009 to 31 December 2009

To the Minister for Health and Children

In accordance with the terms of Section 32(2) of the Health Insurance Act, 1994, The Health Insurance Authority presents its Report and Accounts for the twelve-month period ended 31 December 2009.

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Authority Information

Members of the Authority

Jim Joyce (Chairman), *term commenced February 2006*

Dónall Curtin, *term commenced April 2006*

Mary Doyle, *reappointed February 2006*

Aidan O'Donnell, *resigned June 2009*

Paul Turpin, *term commenced October 2007*

Sheelagh Malin, *term commenced May 2010*

Chief Executive/Registrar

Liam Sloyan

Secretary

Eamonn Horgan

Bankers

AIB plc.

40/41 Westmoreland Street

Dublin 2

Auditors

Comptroller and Auditor General

Dublin Castle

Dublin 2

Offices

Canal House

Canal Road

Dublin 6

Report of the Comptroller and Auditor General for Presentation to the Houses of the Oireachtas

I have audited the financial statements of the Health Insurance Authority for the year ended 31 December 2009 under the Health Insurance Act 1994.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet and the related notes.

Respective Responsibilities of the Authority and the Comptroller and Auditor General

The Authority is responsible for preparing the financial statements in accordance with the Health Insurance Act 1994, and for ensuring the regularity of transactions. The Authority prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Members of the Authority are set out in the Statement of Responsibilities of the Authority.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects the Authority's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Authority's affairs at 31 December 2009 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Authority. The financial statements are in agreement with the books of account.



Andrew Harkness

For and on behalf of the Comptroller and Auditor General

23 September 2010

Statement on Internal Financial Control

Statement from the Chairman regarding the assessment of internal financial controls of The Health Insurance Authority as required in paragraph 10.2 (iii) of the “Code of Practice for the Governance of State Bodies” approved by the Government in October 2001.

The Chairman and Members of the Authority acknowledge that the board of the Authority is responsible for The Health Insurance Authority’s system of internal financial control.

The Chairman and Members also acknowledge that such a system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and any material errors or irregularities are either prevented or would be detected in a timely manner.

The Members of the Authority have set out the following key procedures designed to provide effective internal financial control within the Authority:

As provided for in Section 26(5) of the Health Insurance Act, 1994, the Chief Executive/Registrar (“the CE”) is responsible for carrying on and managing and controlling generally the administration and business of the Authority and shall perform such other functions as may be determined by the Authority. The Members of the Authority have agreed that the CE and staff are responsible for operational matters. The CE reports to the Members at their meetings which are usually held on a monthly basis.

The Members have adopted a Code of Practice for the Governance of The Health Insurance Authority based on the Department of Finance Code of Practice for Governance of State Bodies as updated 15 January 2009. The Members have adopted Rules in relation to the Procedure and Business of the Meetings of The Health Insurance Authority for their meetings.

The Authority implements a set of financial procedures setting out the financial instructions, notes of procedures and delegation practices. The Audit Committee reviews the management accounts, annual financial statements, budgeting and financial procedures generally. The Committee met to review the financial matters relating to the year 2009. Consultants have been engaged in key areas where such services were deemed appropriate including accountants and internal audit consultants.

The Authority has in place a computer software system incorporating an accounting package and a payroll package to facilitate the internal financial controls of the Authority.

Due to the size of the organisation and the number of staff employed, the Authority engaged an external accounting firm to prepare and monitor the financial statements for the Authority and to perform a monthly financial reporting mechanism on the management of the accounts generally, including budgets.

We confirm that a review of the effectiveness of the system of internal financial controls was carried out in 2009.

Signed on behalf of the Members of the Authority

A handwritten signature in black ink, appearing to read 'J. Joyce', is positioned above the printed name and title.

Jim Joyce

Chairman, The Health Insurance Authority

16 September 2010

Statement of Responsibilities of the Authority

Section 32(2) of the Health Insurance Act, 1994, requires the Members of the Authority to prepare financial statements in such form as may be approved by the Minister for Health and Children after consultation with the Minister for Finance. In preparing those financial statements, the Authority is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation.

The Authority is responsible for keeping proper books of account, which disclose in a true and fair manner at any time the financial position of the Authority and which enable it to ensure that the financial statements comply with Section 32(2) of the Act. The Authority is also responsible for safeguarding the assets of the Authority and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



J. Joyce
Chairman



P. Turpin
Member

16 September 2010

Statement of Accounting Policies

The significant accounting policies adopted in these financial statements are as follows:

Basis of Accounting

The financial statements are prepared in accordance with generally accepted accounting principles and under the historical cost convention and comply with the financial reporting standards of the Accounting Standards Board.

Levy Income

The levy income represents the amount collected by the Authority in respect of the period. This takes account of payments made to the Authority in accordance with the Health Insurance Acts, 1994-2007 and the reasonableness of this figure is checked against the expected levy income based on the Authority's profile of private health insurance schemes.

Expenditure Recognition

Expenditure is recognised in the financial statements on an accruals basis as it is incurred.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation, charged to the Income and Expenditure Account, is calculated in order to write off the cost of fixed assets over their estimated useful lives, under the straight-line method, at the annual rate of 33 $\frac{1}{3}$ % for computer equipment and 20% for all other assets from date of acquisition.

Foreign Currencies

Transactions denominated in foreign currencies are converted into euro during the year and are included in the Income and Expenditure Account for the period.

Monetary assets and liabilities denominated in foreign currencies are converted into euro at exchange rates ruling at the balance sheet date and resulting gains and losses are included in the Income and Expenditure Account for the period.

Superannuation

In accordance with Section 28 of the Health Insurance Act, 1994, the Authority may, with the consent of the Minister for Health and Children and the Minister for Finance, make a scheme for the granting of superannuation benefits to staff members of the Authority. The Authority is in the process of finalising such a scheme in cooperation with both Departments and is making the necessary deductions from salaries which are retained by the Authority, but are not recognised as income. The Authority is also providing for employer contributions to the Scheme. For the purposes of Financial Reporting Standard 17, the Authority considers the scheme to be equivalent to a defined contribution scheme, from its point of view, and it has accounted for it accordingly.

General Reserve

As the Authority's role as the regulator and advisor of the Irish Health Insurance Market develops, the potential for additional costs arising from exceptional circumstances increases. It is anticipated that any liability materialising in this instance will be met by the General Reserve.

Income and Expenditure Account

for the year ended 31 December 2009

	<i>Notes</i>	12 months ended 31 December 2009 €	12 months ended 31 December 2008 €
Income	1	2,615,683	2,313,144
Administration Costs	2	(1,534,952)	(1,456,722)
Excess of income over expenditure		1,080,731	856,422
Interest Receivable		64,214	82,197
Surplus for the period		1,144,945	938,619
Accumulated Surplus at beginning of period		1,700,979	812,360
Transfer to General Reserve	9	(50,000)	(50,000)
Accumulated Surplus at end of period		2,795,924	1,700,979

There are no recognised gains or losses, other than those dealt with in the Income and Expenditure Account.



J. Joyce
Chairman

16 September 2010



P. Turpin
Member

The Statement of Accounting Policies and notes 1 to 11 form part of these Financial Statements.

Balance Sheet

at 31 December 2009

	Notes	2009 €	2008 €
Fixed assets			
Tangible assets	5	41,328	6,266
Current assets			
Bank and Cash		4,331,052	3,100,589
Prepayments and other debtors	6	813,128	713,276
		5,144,180	3,813,865
Creditors (amounts falling due within one year)			
Creditors and accruals	7	(1,081,689)	(861,257)
Net current assets		4,062,491	2,952,608
Total assets less current liabilities		4,103,819	2,958,874
Net assets		4,103,819	2,958,874
Representing			
Accumulated excess income over expenditure	9	2,795,924	1,700,979
General Reserve		1,307,895	1,257,895
		4,103,819	2,958,874



J. Joyce
Chairman

16 September 2010



P. Turpin
Member

The Statement of Accounting Policies and notes 1 to 11 form part of these Financial Statements.

Notes

(forming part of the financial statements)

1. Income

Section 17 of the Health Insurance Act, 1994 provides for the payment of an income levy by registered undertakings to the Authority every quarter. The Health Insurance Act, 1994 (Section 17) Levy Regulations, 2001 sets the actual rate for the income levy at 0.14% of the assessable amount paid to all commercial and restricted undertakings in Ireland.

	2009 €	2008 €
Income Levy	2,615,538	2,313,144
Freedom of information	145	–
	2,615,683	2,313,144

2. Administration Costs

	2009 €	2008 €
Salaries and staff costs (including training) (Note 3)	680,072	640,600
Members' remuneration (Note 3)	34,904	40,144
Rent, Service Charges and Maintenance	158,159	162,708
Recruitment costs	–	25,256
Consultancy (Note 4)	354,265	385,303
Insurance	41,040	40,672
Computer and Stationery Costs	23,148	24,600
Other Administration Costs	34,847	62,109
Consumer Information	187,909	60,127
Audit	12,220	13,000
Depreciation	8,388	2,203
	1,534,952	1,456,722

3. Directors Fees and CEO Remuneration

Fees paid to individual board members in 2009 were Jim Joyce (Chairman) €10,500, Dónall Curtin €7,000, Mary Doyle €7,000, Aidan O'Donnell €3,403.85, Paul Turpin €7,000. No expenses were paid to board members.

The Chief Executive's annual salary for 2009 was €108,538.85. The CEO's pension entitlements are in line with standard entitlements in the model public sector defined benefit superannuation scheme. The all in cost of the CEO's total remuneration package consists of salary and pension entitlement.

4. Consultancy Costs

	2009 €	2008 €
Accountancy	55,176	85,369
Actuarial Services	96,199	91,799
Legal Services	129,937	94,022
Public Relations	43,897	47,829
Research	27,824	60,928
Superannuation	763	2,178
Translation Services	469	3,178
	354,265	385,303

5. Tangible Fixed Assets

	Computer Equipment €	Office Fitting, Furniture & Equipment €	Website Development €	Total €
Cost				
At 31 December 2008	69,678	331,508	0	401,186
Additions during period	18,272	1,992	23,185	43,449
Disposals during period	0	0	0	0
At 31 December 2009	87,950	333,500	23,185	444,635
Depreciation				
At 31 December 2008	64,538	330,382	0	394,920
Charge for period	6,488	709	1,190	8,387
Depreciation on disposals	0	0	0	0
At 31 December 2009	71,026	331,091	1,190	403,307
Net Book Value				
At 31 December 2009	16,924	2,409	21,995	41,328
At 31 December 2008	5,140	1,126	0	6,266

6. Prepayments and Other Debtors

	2009 €	2008 €
Accrued income	711,182	574,212
Prepayments and Other Debtors	101,437	138,732
Travel Cards	509	332
	813,128	713,276

7. Creditors (amounts falling due within one year)

	2009 €	2008 €
Trade creditors and accruals	319,485	246,173
Pensions provision (Note 8)	723,507	572,384
Pension levy	2,540	–
PAYE/PRSI	14,335	16,199
Professional Services Withholding Tax	12,001	22,115
Value Added Taxation	9,821	4,386
	1,081,689	861,257

8. Pensions Provision

The Authority had drafted a defined benefit pension scheme for its employees. The scheme structure is based on the Public Service Model and approval by the Minister for Health and Children and the Minister for Finance is awaited. Contributions including employer contributions are at a rate of 25% from July 2006, (16.66% previously) of pensionable pay and are charged to the Income and Expenditure Account. The accumulated contributions are held for the account of the Minister for Health and Children and the Minister has agreed to reimburse the Authority in respect of benefits arising under the scheme. The following contributions are included in the heading, “Salaries and Staff Costs (including training)” **(Note 2)**:

	2009 €	2008 €
At beginning of period	572,384	436,362
Employee Contributions	26,429	24,478
Employer Contributions	124,694	111,544
Total	723,507	572,384

In addition €27,269 was deducted from staff by way of pension levy and was paid over to the Department of Health and Children.

9. Accumulated Surplus on Income and Expenditure Account

	2009 €	2008 €
At beginning of period	1,700,979	812,360
Surplus for period	1,144,945	938,619
	2,845,924	1,750,979
Transfer to General Reserve	(50,000)	(50,000)
Retained surplus	2,795,924	1,700,979

10. Capital Commitments

There were no commitments for capital expenditure at 31 December 2009.

11. Approval of Financial Statements

The Financial Statements were approved by the Members of the Authority on 16 September 2010.

6. Appendices

Appendix A

Statistics Relating to the Private Health Insurance Market in Ireland, 2009

Table 1: Insured Persons⁽¹⁾⁽²⁾

Year Ended	Total Insured Persons (000s)	Private Health Insurance Coverage as % of Population
December 2001	1,871	48.2%
December 2002	1,941	49.2%
December 2003	1,999	49.8%
December 2004	2,054	50.4%
December 2005	2,115	50.6%
December 2006	2,174	50.9%
December 2007	2,245	51.2%
December 2008	2,299	51.6%
December 2009	2,262	50.7%

Table 2: Premium Income

Year	Total Income (€m)
2002	821.9
2003	978.2
2004	1,061.1
2005	1,152.7
2006	1,236.2
2007	1,477.8
2008	1,652.2
2009	1,846.7

(1) All figures relate to the total private health insurance market, i.e. open enrolment and restricted undertakings.

(2) Population figures are based on Central Statistics Office population estimates.

Market Shares

The following table shows how market shares have changed since the establishment of the Authority.

	Vhi Healthcare %	Quinn Healthcare* %	Hibernian AVIVA Health** %	Restricted Membership Undertakings*** %
2001	83	12	–	5
2002	81	14	–	5
2003	78	17	–	5
2004	76	19	–	5
2005	74	21	1	5
2006	72	21	3	4
2007	70	21	5	4
2008	67	21	7	4
2009	64	22	10	4

* In respect of 2006 and earlier years the data relates to BUPA Ireland.

** In respect of 2007 and earlier years the data relates to VIVAS Health.

*** These mainly consist of the Garda, ESB and Prison Officer Schemes.

The following table shows how market shares vary with age as at July 2009. The table below refers to open membership insurers only and excludes the restricted membership undertakings.

Age Group	Vhi Healthcare %	Quinn Healthcare %	Hibernian AVIVA Health %
0-49	63	26	11
50-59	71	21	8
60-69	80	16	4
70-79	90	8	2
80 and over	95	3	1

Appendix B

Claim Variation by Age

Claims Included in Returns per Insured Person in 2009



The source of the data in the above chart is information returns submitted to the Authority by insurers. These returns exclude c. 20% of claims.

Appendix C

The Register of Health Benefit Undertakings as at 31 December 2009

Open Membership Undertakings

1. Aviva Health Insurance Limited (trading as Aviva Health Limited)
2. Quinn Insurance Limited (trading as Quinn Healthcare)
3. The Voluntary Health Insurance Board (trading as VHI Healthcare)

Restricted Membership Undertakings

1. ESB Staff Medical Provident Fund
2. Irish Life Assurance Plc Outdoor Staff Benevolent Fund
3. Irish Life Medical Aid Society
4. New Ireland/Irish National Staff Benevolent Fund
5. Prison Officers' Medical Aid Society
6. St. Paul's Garda Medical Aid Society
7. The Goulding Voluntary Medical Scheme

Appendix D

Attendance of Authority Meetings in 2009

Authority Member	Meetings Attended*
Mr. Jim Joyce, <i>Chairman</i>	14
Ms. Mary Doyle	14
Mr. Aidan O'Donnell**	5
Mr. Donall Curtin	10
Mr. Paul Turpin	14

* There were a total of 14 Authority meetings held in 2009.

** Mr. O'Donnell resigned from the Authority on 25 June 2009.

He attended 5 meetings out of 7 meetings scheduled prior to his resignation.