



An tÚdarás Árachas Sláinte
The Health Insurance Authority

2017

ANNUAL REPORT & ACCOUNTS

The Health Insurance Authority
Canal House, Canal Road, Dublin 6.

LoCall: 1850 929 166

Tel: (01) 406 0080

Fax: (01) 406 0081

Email: info@hia.ie

Website: www.hia.ie

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1 Chairperson'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 ("the Authority") for the year ending 31 December 2017.

The Authority fulfils a number of functions in relation to the private health insurance market in Ireland, whose regulatory system is based on the key principles of community rating, open enrolment, lifetime cover and minimum benefits. During 2017, continued improvements in the wider economy resulted in a further increase in the numbers insured to 2.17m (45% of the population) at 31 December, an increase of 22,000 compared with the prior year. In the last 3 years, growth in employment, reduction in net emigration, the introduction of young adult rates and lifetime community rating have all helped to reverse the previous trend of declining numbers experienced since the market peaked at 2.30m in December 2008.

The Authority recognises that the market can be difficult for consumers to navigate due to the number of product variants available and the rate at which products or their prices are updated. As an indicator of activity levels, the Authority reviewed over 1,150 samples of new or revised contracts during the year, while the number of products available reduced from 373 to 328, largely due to the acquisition by Irish Life Health of GloHealth in February, 2017.

The Authority's comparison tool, www.hia.ie/ci/health-insurance-comparison is of fundamental importance in enabling consumers to compare all the available products in the market, tailoring the search to meet their requirements. The website received over 558,000 visitors in 2017, an 11% increase on 2016. Our Facebook, Twitter and LinkedIn pages also continued to gain followers during the year. A major review of the Authority's website, www.hia.ie, focusing on functionality and customer experience, was carried out in 2017. As a result, a broad redevelopment is scheduled for completion by year-end 2018 to include changes on how some information is presented, particularly in helping consumers better identify the most appropriate and economical health insurance product for their own specific requirements.

In acknowledging that the private health insurance market is complex and confusing, a series of explanatory videos commenced on the Authority's website during the year to help consumers understand better key insurance issues. The first topic covered was community rating and further videos are planned on how to get the most appropriate cover and explaining private health insurance jargon.

Insurers selling health insurance contracts to persons "ordinarily resident in the state" are required to be registered with the Authority and to comply with the provisions of the Health Insurance Acts. The Authority determined that this term includes non-European Economic Area students attending a course of study of more than one academic year's duration. This determination was not accepted by one insurer and an Enforcement Notice was served on it in March 2017. The insurer subsequently issued two sets of proceedings in the High Court, to quash the Enforcement Notice and the Authority's determination regarding non-EEA students. Proceedings are expected to be heard in 2018.

Lifetime Community Rating was introduced on 1 May 2015. At the request of the Minister for Health, a two-year review was conducted during 2017 and, having requested and received submissions from stakeholders and interested parties, the Authority issued a report to the Minister in May 2017.

The Authority is responsible for the administration and maintenance of the Risk Equalisation Scheme, an essential support to community rating, and the 2017 accounts of the Risk Equalisation Fund set up under the Scheme are included in this Report. The Fund is managed on the basis that income and outgo will be in balance over time, with any projected surplus or deficit being taken into account in the Authority's annual review and recommendations to the Minister.

The Authority continues in discussions with the Department of Health and the insurance industry with a view to including new measures of health status (Diagnosis Related Groups) within the Risk Equalisation Scheme transfer calculations, with the purpose of better equalising risk in relation to the higher costs of insurance for less healthy consumers.

I am pleased to recognise the work and dedication of the Members of the Authority during 2017. I would also like to thank the Minister for Health, Mr Simon Harris TD, as well as officials in the Department of Health, for their support during the year.

Finally, the Authority expresses its appreciation of the work done by the staff of the Authority and the commitment shown by them throughout 2017.



Sheelagh Malin

Chairperson

30 June 2018

2 Membership and Management of the Authority

Membership

The Members of the Authority are appointed by the Minister for Health (“the Minister”) for terms of up to five years. The Members of the Authority are:



Ms. Sheelagh Malin (Chairperson) – Appointed 6 May, 2010, Re-appointed 1 February, 2016

Ms. Malin is a Fellow of the Society of Actuaries in Ireland. She has over 25 years management experience in the life assurance industry, including Managing Director, Finance Director, Compliance Officer, product development and marketing roles. She serves as an Independent Non-Executive Director on a number of insurance company boards.



Mr. Ian Britchfield – Appointed 20 June, 2016

Mr. Britchfield has 25 years’ experience in the insurance and reinsurance industries. He is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Institute of Directors. He acts as an Independent Non-Executive Director for a number of companies in the insurance/reinsurance sector. Previously he spent more than ten years with Renaissance Reinsurance where he was Managing Director of their Irish operations and prior to that served as Finance Director with Aon Insurance Managers. He spent the first seven years of his career with PricewaterhouseCoopers in Ireland and Bermuda.



Mr. Sean Coyle – Appointed 1 February, 2016

Mr. Coyle is Finance Director & Divisional Managing Director, Aquilant at UDG Healthcare plc. Prior to joining UDG Healthcare plc he held a number of senior finance and commercial roles in Aer Lingus plc and Ryanair Holdings plc where he was CFO and Director of Scheduled Revenue respectively. He is a Fellow of the Institute of Chartered Accountants in Ireland and trained with KPMG. He has represented Ireland on the European Healthcare Distributors Association and is familiar with various healthcare models across Europe.



Dr. Fiona Kiernan – Appointed 1 February, 2016

Dr Fiona Kiernan is a Consultant in Anaesthesia and Intensive Care Medicine in Beaumont Hospital, and a Fellow of the College of Anaesthetists of Ireland. Along with her medical degree, she also holds a Masters in Health Economics, Policy and Management from the London School of Economics and Political Science, and is studying for a doctorate in Economics with the Department of Economics in University College Dublin. She has lectured on topics of resource allocation and health economics within the College of Anaesthetists, and has presented internationally on healthcare utilisation and access to healthcare. Her current areas of research involve the income-health relationship in Ireland, and health system performance measurement in Irish hospitals.



Mr. James A. McNamara – Appointed 1 February, 2016

Mr. McNamara has been Chief Executive Officer of Cork University Hospital Group since 1992 and has been a member of various national advisory and consultancy bodies for the Department of Health and Children including the National Cardiovascular Strategy Group (1998) and Comhairle na nOspideal (2004). In 2004 he was appointed to the Change Management Team for the Health Service Executive to plan the transformation of the Irish healthcare system and in this role he managed the national Hospitals Office team. He served for six years as a member of the Irish Blood Transfusion Board and chaired the Finance Committee of this Board for a number of years. He was a member of the board of the Road Safety Authority from 2005 to 2010 and also chaired the audit committee. He has completed an MSc in Management Practice with Trinity College and the Irish Management Institute and is currently studying for his doctorate in Business Administration at Henley Management College & Reading University in London.

Management

The Management of the Authority are as follows:



Mr. Don Gallagher
Chief Executive/Registrar

Mr. Gallagher holds an MSc in Management from Trinity College, Dublin and is an experienced international Chief Executive who has managed and served on the Board of national and international insurance and wealth management companies. Most recently Mr. Gallagher was CEO and Executive Director of the European subsidiary of a leading global life insurer. Previously Mr. Gallagher had been Senior Vice President and Managing Director with a major Canadian life insurer in both Ireland and Canada. Mr Gallagher was appointed to the Financial Services Ombudsman Council in January 2017.



Mr. Eamonn Horgan
Corporate Affairs Manager/Secretary to the Authority

Mr. Horgan holds a Master of Science degree, and post graduate qualifications in business and finance and in corporate governance. He held operations and production management positions in private industry before joining the Authority as Corporate Affairs Manager.



Mr. Brendan Lynch
Head of Research/Technical Services

Mr. Lynch is an economist and also a qualified solicitor. He has a Masters degree in Economics and a Diploma in European Law. He has worked as an economic consultant, stockbroker economist and as an economic adviser to the Minister for Finance.



Ms. Corrinna Nolan
Financial Controller

Ms. Nolan holds a BA in Accounting and Human Resources and is a member of both Chartered Accountants Ireland and the Insurance Institute of Ireland. Prior to joining the Authority Ms. Nolan worked within the Insurance Supervision Division of the Central Bank of Ireland, and held previous roles in financial services audit.



Mr. Micheal O'Briain
Head of Regulatory Affairs

Mr. O'Briain is a Fellow of the Society of Actuaries in Ireland. He has over 30 years' management experience in the life assurance industry. He was Executive Director and Appointed Actuary of an Irish life assurance company prior to joining the Authority.



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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

The Health Insurance Acts provide for the regulation of the business of private health insurance in Ireland following the enactment of the European Union “Third Non-Life Insurance Directive”. This Directive sets out the requirements of the internal market for Member States regarding non-life insurance, including health insurance. This European legislation allows individual Member States to adopt the specific requirements in a manner most appropriate to their particular national legal system and national healthcare system.

The Principal Objective of the Health Insurance Acts is set out in legislation as follows:

“The principal objective of this Act is to ensure that, in the interests of the common good and across the health insurance market, access to health insurance cover is available to consumers of health services with no differentiation made between them (whether effected by risk equalisation credits 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 health risk status, age or sex of, or frequency of provision of health services to, any such consumers or any class of such consumers, and taking into particular account for the purposes of that objective:

- a) the fact that the health needs of consumers of health services increase as they become less healthy, including as they approach and enter old age;
- b) the desirability of ensuring, in the interests of societal and intergenerational solidarity, and regardless of the health risk status or age of, or frequency of provision of health services to, any particular generation (or part thereof), that the burden of the costs of health services be shared by insured persons by providing for a cost subsidy between the more healthy and the less healthy, including between the young and the old, and, without prejudice to the generality of that objective, in particular that the less healthy, including the old, have access to health insurance cover by means of risk equalisation credits;
- c) the manner in which the health insurance market operates in respect of health insurance contracts, both in relation to individual registered undertakings and across the market; and
- d) the importance of discouraging registered undertakings (health insurers) from engaging in practices, or offering health insurance contracts, whether by segmentation of the health insurance market (by whatever means) or otherwise, which have as their object or effect the favouring of the coverage by the undertakings of the health insurance risk of the more healthy, including the young, over the coverage of the health insurance risk of the less healthy, including the old.”

Community rating means measures which, whether in whole or in part, apply towards the achievement of the principal objective.

The principal functions of the Authority are as follows:

- 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;

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

- To carry out certain functions in relation to health insurance stamp duty and risk equalisation credits and in relation to the risk equalisation scheme;
- 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” (“the Register”) and “The Register of Health Insurance Contracts”.

The Authority shall exercise such powers as are necessary for the performance of its functions. The Minister may assign further responsibilities to the Authority as provided for in the Health Insurance Acts.

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. It 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 pools.

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, discounts for members of group schemes, young adults and lifetime community rating loadings.

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.

Risk equalisation is a process that aims to address differences in insurers' claim costs that arise due to variations in the health status of their members. Risk equalisation involves payments to or from insurers related to the risk profile of their membership. Risk equalisation is a common mechanism in countries with community rated health insurance.

3.1.2 Regulatory Developments in 2017

The Health Insurance (Amendment) Act 2017 was enacted in December 2017. It amended the Health Insurance Act 1994 as follows:

- to specify the amount of premium to be paid from the Risk Equalisation Fund in respect of certain classes of insured persons from 1 April 2018;
- to amend that Act to specify the amount of the hospital utilisation credit applicable from 1 April 2018;
- to make certain other amendments to that Act;
- to make a consequential amendment to the Stamp Duties Consolidation Act 1999; and
- to provide for related matters.

Insurers selling health insurance contracts to persons "ordinarily resident in the State" are required to be registered with the Authority and to comply with the provisions of the Health Insurance Acts. The Authority has determined that "ordinarily resident in the State" in respect of non-European Economic Area students means attending a course of study of more than one academic year's duration. The Authority wrote to a number of insurers in 2016 who were then selling (or considering selling) such contracts informing them of this determination. ACE European Group Limited did not accept this determination and the Authority consequently served an Enforcement Notice on it in March 2017. ACE European Group Limited issued two sets of proceedings on 4 May 2017 in the High Court in relation to the Enforcement Notice. They have sought an Order to quash the Enforcement Notice and also an Order to quash the Authority determination of the term "ordinarily resident in the State" in respect of non-EEA students. The proceedings are expected to be heard in 2018.

Lifetime Community Rating was introduced into the Irish private health insurance market on 1 May 2015. The Minister

for Health requested that a review of Lifetime Community rating be carried out by the Authority in 2017, following a two year period since the regulations had been introduced. As a result the Authority released a consultation paper on the topic in January 2017 and requested submissions from stakeholders and interested parties. The Authority received 23 submissions. Following consideration of the submissions, the Authority issued a Report to the Minister for Health in May 2017 which can be read at: <https://www.hia.ie/news/report-health-insurance-authority-department-health-lifetime-community-rating-2017>.

Level of Cover

Under the Health Insurance (Amendment) Act 2012, the Authority determines which types of health insurance contracts are Non-Advanced contracts, to which the lower levels of risk equalisation credits and community rating levies apply. The definition of a Non-Advanced contract requires that the contract provides for not more than 66% of the full cost for hospital charges in a private hospital or not more than the prescribed minimum payments under the Minimum Benefit Regulations, whichever is greater. If the Authority is satisfied that a type of health insurance contract is Non-Advanced, it specifies this in Regulations and on the Register of Health Insurance Contracts. There were no Regulations promulgated by the Authority during 2017.

On 1 January 2018 there were 31 types of health insurance contracts specified as being Non-Advanced by the Authority, compared to 41 on 1 January 2017. Each of the Open Membership Undertakings has at least one type of Non-Advanced contract. On 1 January 2018 there were 297 Advanced types of health insurance contracts, compared to 332 on 1 January 2017.

3.1.3 Irish Risk Equalisation Scheme

2016 - 2020 Risk Equalisation Scheme

The 2016-2020 Risk Equalisation Scheme was notified to the European Commission as a State Aid that was compatible with the internal market. In February 2016 The European Commission stated that it was not raising objections to this notified aid Scheme.

The main elements of the Risk Equalisation Scheme are the following:

- Risk equalisation credits are paid from the Risk Equalisation Fund ("REF") operated by the Authority.
- Risk equalisation credits payable in respect of premiums vary on the basis of age, gender, and level of cover. To protect competition, the credits are set so that the net projected average claims cost for any age group in receipt of age-related credits are expected to not go below 125% of the projected market average net claims cost.
- Risk equalisation credits are also payable in respect of hospital claims. Specifically, a fixed amount is payable from the REF for each overnight and day-case stay an insured person spends in private hospital accommodation or in a publicly funded hospital where a charge is payable under Section 55 of the Health Act 1970 for such a stay. This reduces the cost to the insurer of insuring less healthy individuals.
- The cost of the credits is recouped by the REF through a community rating levy which varies between children and adults and between two levels of cover (Advanced and Non-Advanced).

Community rating levy payments are paid by insurers to the Revenue Commissioners who in turn transfer the money to the REF. Risk equalisation credits are paid out of the REF to the insurers by the Authority. Any surpluses or deficits in the REF are carried forward and allowed for in setting future levy amounts.

The Health Insurance Acts set out the process around setting risk equalisation credits:

- Claims data on the insured population and other data included in returns from insurers, are evaluated and analysed by the Authority every six months.

- Twice a year the Authority issues a report to the Minister on its evaluation and analysis of these returns. The second report includes recommendations on the amounts of the risk equalisation credits and the amounts of the community rating levies. The recommendations have regard to the principal objective of the Health Insurance Acts, the aim of avoiding overcompensation, the aim of maintaining the sustainability of the health insurance market and the aim of having fair and open competition.
- If the Minister proposes to change the risk equalisation credits, this is accomplished by proposing amendments to the Health Insurance Acts, where the amounts of the credits are specified.
- The Minister may, having regard to the Authority's Report, the principal objective, the aim of avoiding overcompensation, the aim of maintaining the sustainability of the health insurance market and the aim of having fair and open competition, make recommendations to the Minister for Finance on the amounts of the community rating levies, which are provided for in the Stamp Duties Consolidation Acts.
- The amounts of the risk equalisation credits and the community rating levies become law if enacted by the Oireachtas.

Risk Equalisation Rates Applying in 2017

The rates of the risk equalisation credits and the community rating levy that applied to contracts commencing and renewing in 2017 are set out in Appendix E.

For contracts written from 1 March 2016 to 31 March 2017, the risk equalisation credits were set so that the projected market claim cost (net of risk equalisation) for all age groups from age 65-69 and above would be less than or equal to 130% of the projected market average claim cost. (Without risk equalisation, the projected claim rate for older age groups would be up to 400% of the market average claim rate.) The community rating levy was set at the amount projected to fund the credits with the levy for Non-Advanced plans equalling 50% of the rate applying for Advanced plans.

For policies commencing on or after 1 April 2017 the risk equalisation credits were set so that the projected market claims cost (net of risk equalisation) for all age groups from age 65-69 and over would be less than or equal to 130% of the projected market claim cost. The community rating levy was set at the amount projected to fund the credits with the levy for Non-Advanced plans equalling 50% of the rate applying for Advanced plans.

Risk Equalisation Rates Applying from 1 April 2018

During 2017, the Authority received information returns for the second half of 2016 and for the first half of 2017 from each of the Open Membership Undertakings. Reports on the evaluations and analyses of these returns were submitted to the Minister in May and October 2017. The October 2017 Report included the Authority's recommendations on the amounts of the Risk Equalisation Credits and Community Rating Levies, for policies commencing from 1 April 2018.

The rates applying from 1 April 2018 were given effect in the Health Insurance (Amendment) Act 2017 and are set out in Appendix E. These credits were set so that the projected market claim cost (net of risk equalisation) for all age groups from ages 65-69 and over would be less than or equal to 130% of the projected market average claim cost.

The community rating levy was set at the amount projected to fund the credits with the levy for Non-Advanced plans equalling 40% of the rate applying for Advanced plans.

Overcompensation Assessment

The Authority is also required to assess whether the Risk Equalisation Scheme overcompensates any insurer.

- Once a year, by 1 May, insurers are required to provide the Authority with profit and loss accounts and balance sheets for the previous financial year insofar as they relate to Irish health insurance business;
- The Authority assesses if any insurer has been overcompensated by the risk equalisation scheme, enabling them to earn in excess of a reasonable profit. The assessment as to whether the 2016 – 2020 Risk Equalisation Scheme results in overcompensation is based on whether a net beneficiary's Return on Sales gross of

reinsurance and excluding investment activities exceeds 4.4% per annum, calculated on a rolling three year basis. The first such overcompensation test will be carried out in 2019 for the period 2016 – 2018 inclusive;

- If the Authority determines under the Health Insurance Acts that an insurer (which is a net beneficiary of the risk equalisation scheme) has been overcompensated, the Authority shall issue a draft report to the insurer. The Authority will then take account of any submissions received from that insurer before making a final determination on overcompensation; and
- If the Authority determines that overcompensation has occurred, it issues a report to the Minister and the insurer concerned stating the amount of the overcompensation. The insurer must then refund the amount of overcompensation to the REF.

3.1.4 The Risk Equalisation Fund

The Risk Equalisation Fund (“REF”) was established in 2013 under the Health Insurance (Amendment) Act 2012. Under this Act, the Authority is responsible for administering and maintaining the REF.

The Health Insurance Act 1994 (Risk Equalisation Scheme) Regulations 2013 were introduced in February 2013. These Regulations set out the structures for submitting risk equalisation credit claims and returns by registered undertakings to the Authority and the validation of those claims by the Authority. Interim claims are submitted by the 21st day of the month immediately following the month to which the interim claim relates. Once the Authority is satisfied that the risk equalisation credits claimed are properly due to an undertaking, the Authority arranges payment of the due amount from the REF.

The community rating levy is collected as stamp duty by the Revenue Commissioners from registered undertakings on a quarterly basis. It is due on the 21st day of the second month following the end of each quarter. The quarterly levy amount is then paid by the Revenue Commissioners into the REF’s current account. Funds not immediately required in the REF current account are invested in Exchequer Notes. Exchequer Notes are short term debt instruments issued by the National Treasury Management Agency.

The Authority engages internal audit consultants to carry out an annual review of the Authority’s procedures for administering the REF. Management accounts are prepared and submitted to the Members of the Authority on a monthly basis.

3.1.5 The Register of Health Benefits Undertakings

The Authority is responsible for the maintenance of “The Register of Health Benefits Undertakings” (“the Register”). Section 14 of the Health Insurance Act 1994, 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 undertaking 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. No new Restricted Membership Undertakings may be established.

Irish Life Health DAC was established in August 2016 following the completion of Irish Life Group’s transactions to acquire Aviva Health Insurance Ireland Limited (and rename it as Irish Life Health DAC) and take 100% ownership of GloHealth. Irish Life Group previously had a 49% shareholding of GloHealth. As a result, Great Lakes Reinsurance (UK) plc (trading as GloHealth) ceased being an Open Membership Undertaking in 2017.

3.1.6 The Register of Health Insurance Contracts

The Authority is responsible for maintaining the “Register of Health Insurance Contracts”. Section 7AC of the Health Insurance Act 1994 states that the Register shall be in such form and shall contain such particulars relating to any type of health insurance contract on offer in the State as may be specified by the Authority. The contents of the Register are available for inspection on the Authority’s website at: <http://www.hia.ie/consumer-information/register-of-health-insurance-contracts> or at the offices of the Authority.

Product Notification

Registered undertakings are required to submit samples of each new or revised contract to the Authority not later than 30 days before first offering such a product.

An undertaking will maintain all offers for not less than 60 days on the same terms and conditions and the product has to be for a period of 12 months unless there is good and sufficient reason for a different term.

Insurers submitted 1,150 samples of new/revised contracts to the Authority in 2017, a small reduction on the number of samples submitted in 2016.

Review of Product Notifications for Compliance

The Authority reviews the details of all product notifications to ensure that they are not contrary to the Health Insurance Acts. Where the Authority has a concern about a contract, it highlights to the insurer the contract features that may be in breach of the legislation and discusses the matter with the insurer. On all such occasions during the year, the insurer addressed the Authority’s concerns either by amending the contract or by adequately explaining how the contract complies with legislation.

3.2 Research and Advice

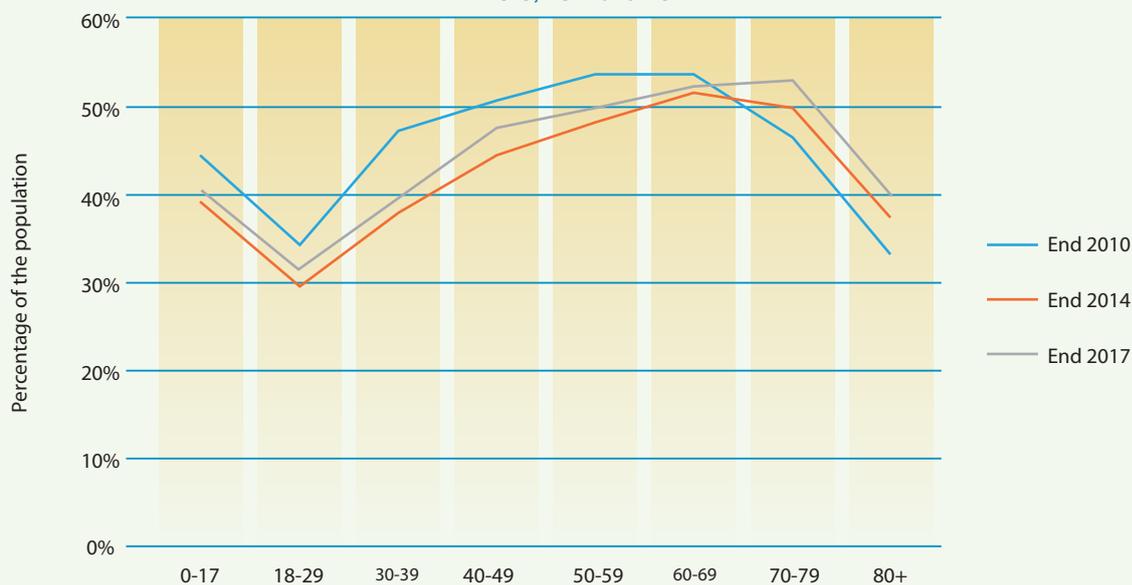
3.2.1 Monitoring the Health Insurance Market

Size of the Market

The health insurance market is the largest non-life insurance market in Ireland. Premium income in 2017 was €2.66bn compared to €2.53bn in 2016. Of the total, €146m was accounted for by Restricted Membership Undertakings. Premiums per person rose by an average of 3.7% in 2017 (0.3% in 2016).

The number insured at the end of 2017 in the health insurance market was 2.17m (including children), which represented 45% of the population. Numbers insured in December 2017 were 1.0% higher than 12 months previously, with demand rising against the background of a growing economy (See Appendix A, Table 1). Numbers insured ceased falling in the third quarter of 2014 following the deep recession in the 2009 to 2012 period. The peak in numbers insured was 2.30m at the end of 2008 (51% of population). The population has been increasing by approximately 1% per annum since early 2015.

Market Penetration Rates by Age Group
2010, 2014 and 2017



The average age of the population is increasing and the percentage of the population in the oldest age cohorts is steadily rising, which is leading to an increased demand for healthcare. The proportion of the population with health insurance varies significantly by age and the proportions in the oldest age groups are rising faster than the average. Consequently, the percentage of the insured population aged over 60 has increased by 0.7% per annum since 2009 and was 21.9% at end 2017. Both trends (ageing of the population and faster ageing of the part of the population with health insurance) are expected to continue for the medium term.

During the recession, there was a notable decrease in the numbers insured in the young adult cohorts, especially the 18-29 cohort (310,000 at end 2008 to 203,000 at end 2013 in open enrolment insurers) but also the 30-39 cohort (365,000 at end 2008 to 281,000 at end 2013). This was partly due to a reduction in the young adult population but also because the proportion of young adults with health insurance fell. This trend has reversed in the last three years due to growth in the economy and employment and an associated reduction in net emigration of young adults. The introduction of both young adult discounts and lifetime community rating in 2015 has also had an effect.

The gradual ageing of the insured population tends to lead to higher claims per person insured, even if there are no cost increases in healthcare provision because, on average, older people have more demand for healthcare.

At year-end 2017, there were three Open Membership Undertakings operating in the market (Vhi Healthcare, Laya Healthcare and Irish Life Health). Irish Life Health acquired GloHealth and merged the operations of the two companies in February 2017. In December 2017, Vhi Healthcare's market share was 50%, having been 95% in the mid-1990s before the market was opened to competition. Laya Healthcare² had a 26% market share and Irish Life Health had 20%. Restricted Membership Undertakings have a combined 4% market share (See Appendix A, Table 3). Market shares vary significantly by the ages of the insured, as set out in Appendix C, although the degree of variation

² Laya Healthcare Ltd is an insurance agent that sells the health insurance policies underwritten by Elips Insurance Limited, which is the registered undertaking with the Authority. Laya Healthcare Ltd is not regulated by the Authority but is regulated by the Central Bank of Ireland.

has been reducing in recent years. For instance, at the end of 2017, Vhi Healthcare insured 64% of those aged 70-79 with insurance, compared to 72% at the end of 2014 and 80% at the end of 2011.

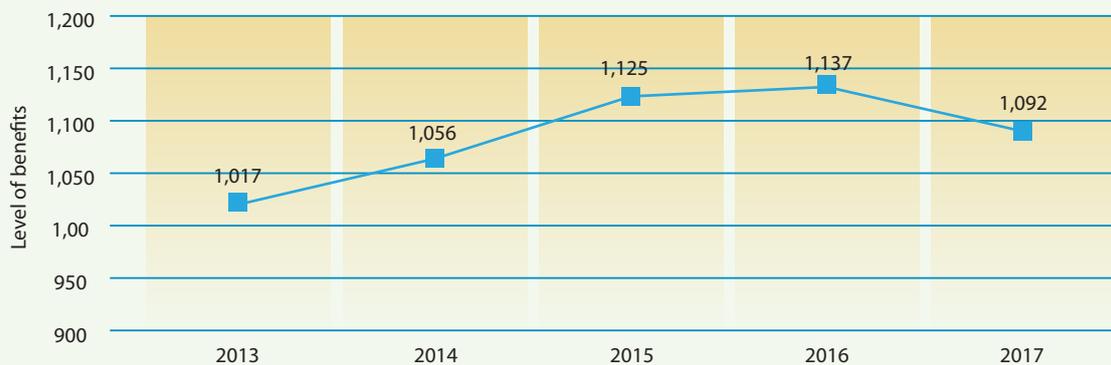
Cost of Health Insurance and Healthcare Claims Costs

The average amount paid for a health insurance premium for in-patient cover in 2017 was €1,220 (for contracts within the scope of the Risk Equalisation Scheme), compared to €1,177 in 2016 and €1,200 in 2014. 2015 was the first year that the average health insurance premium fell since 2001. These figures are based on gross premium levels but child premiums and young adult discounts have a lowering effect on the average figure³.

The average of the claims paid per insured person decreased by 1% in 2017, following a 1% increase in 2016 and 6.5% in 2015. Much of the 2015 increase was due to the change in rules for charging private patients in public hospitals in January 2014, which is described below. Nevertheless, the rate of increase is still lower than the 12.6% average annual increase between 2008 and 2012. For the last four years, overall consumer price inflation has been close to zero. The health index of consumer prices has also experienced very low inflation in the last few years with prices rising by 1.2% in 2016 and 1.3% in 2017. Restraining the growth in insurance claims is critical to the sustainability of the voluntary health insurance market, especially when considered in the context of acknowledged long-term drivers of healthcare costs, viz; lower tolerance of people towards ill-health, new medical and surgical interventions and population ageing.

The following charts show how the rates of claims paid and treatment days per insured person have changed between 2013 and 2017 inclusive. Children are given a weighting of 1/3rd in these calculations to reflect the lower premium paid. (The claims figures are based on a technical definition in the Information Returns Regulations of "returned benefits".)

Market returned benefits per insured person from 2013 to 2017



Market treatment days per insured person from 2013 to 2017



³ The net premiums that consumers are billed for by insurers are reduced by income tax relief, which is 20% of the gross premium up to a maximum of €200 and which the insurers receive directly from the Revenue Commissioners.

Changes to Charging Rates for Public Hospitals

From the beginning of 2014, new charges for private accommodation in public hospitals applied as set out in the Health (Amendment) Act, 2013. While some charges were lower than before, the biggest change was that anyone that decided to waive their right to be treated publicly (and thus be a private patient) would be liable to a minimum daily charge of €813 for each night in most acute public hospitals, irrespective of the designation of the bed that they occupied (€1,000 for a single room per night and €407 for a daycase). The effect of this change on claims appears to have occurred with a time lag with most of the increasing effect on claims occurring in 2015 and some continuing effect in 2016. Claims paid to public hospitals fell in 2017.

Product Developments

There were 328 health insurance products with in-patient benefits being marketed at the end of 2017, compared to 373 at end of 2016. The acquisition by Irish Life Health of GloHealth in February 2017 led to a reduction in the total number of products marketed by the combined insurer. Features of the market include:

- 10% of in force health insurance contracts at end 2017 were subject to the lower Non-Advanced rate of stamp duty, which was the same as at end 2016.
- 5% of the insured population had policies that did not cover all public hospitals at the end of 2017 (7% at end 2016).
- There is some segmentation in the market. Excluding restricted membership undertakings, Vhi insures 50% of the market by lives but 64% of the 70-79 age cohort and 81% of those aged 80 and over. Again, excluding restricted membership undertakings, Vhi's market share of premium income is 58%, compared to 63.5% of claims paid. By contrast, the other insurers have their highest market shares by lives in the younger age groups. Mainly as a consequence of the older age profile of Vhi customers, Vhi Healthcare receives a significant net benefit from the risk equalisation scheme, whereas Laya Healthcare and Irish Life Health experience net deficits from the scheme. The risk equalisation scheme has been described above in section 3.1.3.
- The combined effect of targeted product features and the difference in premiums for different products means that those over the age of 60 pay, on average, premiums that are 33% higher (34% higher in 2016) than the premiums paid by those under the age of 60 for the most popular levels of cover. Older consumers are likely to have a greater requirement for full orthopaedic cover, which was only available with more expensive policies in two of the three open enrolment insurers at end 2017. On average, older consumers desire a better level of hospital coverage compared to younger consumers and maybe reluctant to switch plans and/or insurers.

3.2.2 Commissioned Research on the Health Insurance Market

The Authority commissions major consumer research on the health insurance market every two years. The latest round of opinion research was done in October 2017 and published in February 2018. It can be viewed on the Authority's website at: <http://www.hia.ie/publication/consumer-surveys/2018>. The series of research reports provides valuable information on the health insurance market, including trends over time.

The latest survey was conducted face to face with a nationally represented sample of 1,891. Quotas were set around gender, social class and region.

Satisfaction with health insurance companies is quite high and has increased consistently in all criteria since 2013. The highest levels of satisfaction are for the level and clarity of information given by health insurance companies. There is evidence that the incidence of switching providers may have plateaued. Less than one in four (22%) have ever switched; quite similar to 2015 results (24%). Among those who have never switched, just ten percent have even considered switching. This has fallen from a high point of 20% in 2013. The dynamic behind the propensity to switch is changing. Among those who have switched, cost considerations (whilst still the biggest factor) are not cited to the same degree. 54% of switchers mentioned price as a factor in 2017, a significant drop from 65% in 2015. In tandem with this, benefits cover and service considerations are becoming more important.

61% of those with health insurance are in the ABC1 socio-demographic category compared to 41% of the population generally. 68% of adults with health insurance are married compared to 55% of adults in the total survey sample.

The main reasons cited for having health insurance concern the cost of medical treatment, along with the perceived standard of, and perceived lack of access to, public services. A majority of those surveyed believe that health insurance allows people to skip queues and to receive a better level of service.

3.2.3 Other Commissioned Research

In previous years, the Authority procured a report from its financial and economic consultants on an overcompensation assessment in relation to the risk equalisation scheme as required by the Health Insurance Acts. However, the next such report is not required until 2019 according to the provisions of the Health Insurance Acts.

The Authority is conducting some research on the development and demand for health insurance in Ireland. It has also commissioned some research on the financing of healthcare with a particular emphasis on health insurance. A report will describe how Ireland compares with a selected few other countries. The Authority intends to publish the research when completed.

3.2.4 Advice

The Authority regularly advises Department of Health officials on various aspects of health insurance and also meets regularly with Department officials. Key topics for advice are prospective legislative changes related to health insurance, possible changes and future developments to the risk equalisation scheme and developments/data in the health insurance market.

3.3 Consumer Interest

3.3.1 Consumer Queries and Complaints

The Authority's functions include taking "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" as well as monitoring and, where necessary, ensuring compliance with the Health Insurance Acts.

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.

Consumer Information

The Authority assists consumers by answering queries regarding health insurance and by assisting them in resolving disputes with insurers. In 2017 the volume of queries and complaints received by the Authority was 6,291 contacts (2016: 5,018), an increase of 25%. Topics that were most frequently raised with the Authority were:

- Requests for comparisons between health insurance products;
- Requests for the Authority's information publications;
- Queries relating to Lifetime Community Rating;
- Queries relating to waiting periods;
- Queries regarding health insurance products and plan cover;
- Queries on consumer rights in relation to switching insurers;
- Queries on cancellation policies of insurers;
- General queries on the cost of private health insurance; and
- Question on the service standards of insurers.

During 2017, 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 contacted the Authority to query the application of waiting periods following a break in cover a number of years ago. The consumer had a gap in cover of twelve weeks in 2015, moved to another insurer and had decided to move back to her original insurer at her renewal. The insurer was applying the new consumer waiting periods because of the previous gap in cover.

The Authority contacted the insurer to query their interpretation of the legislation, as the break in cover was less than thirteen weeks, the new consumer waiting periods should not apply. The insurer acknowledged that a mistake had been made and the new consumer waiting periods should not apply.

The insurer undertook to retrain the agent in question, clarify the waiting period regulations to staff and to contact the consumer to apologise. The customer was satisfied with the outcome.

Case Study 2

A consumer contacted the Authority regarding a Lifetime Community Rating loading applied to her premium. The insurer's customer service agent had incorrectly interpreted the Lifetime Community Rating legislation and applied an incorrect loading to the premium. She had attempted to resolve the issue with the insurer's customer service department but was not satisfied with their response and the application of a loading.

The Authority contacted the consumer's insurer to query their interpretation of the legislation. The insurer acknowledged that a mistake had been made when calculating the consumer's loading. The insurer confirmed that previous periods of cover should be accounted for and no loading should apply.

The insurer undertook to assess whether any other members had been impacted in a similar manner, to clarify the Lifetime Community Rating regulations to staff and to contact the consumer to apologise and confirm that no loading would apply. The customer was satisfied with the outcome.

3.3.2 Website

The Authority maintains a website, which provides information to consumers in line with the consumer information functions allocated to the Authority in the Health Insurance (Miscellaneous Provisions) Act, 2009.

The website includes a plan comparison facility, which allows consumers to choose the most appropriate plans for their circumstances and compare benefits and prices of plans side by side. This comparison facility provides consumers with access to details of every plan on the market and is the only resource where this information is available.

The website received over 558,000 visitors in 2017, an increase of 11% on 2016 (496,000). Our Facebook, Twitter and LinkedIn pages continued to gain additional followers during this year.

In 2017 a review was conducted of the functionality and customer experience in using the Authority's website, www.hia.ie. The review found that changes to how some information is presented, especially in relation to product comparisons, could aid consumers in identifying the most appropriate and economical health insurance policies for themselves. As part of a proposed update to the website the Authority developed a prototype website to test the proposed changes and initiated a broader redevelopment of its website to be completed in 2018.

3.3.3 Advertising

The Authority commenced a series of online myth busting videos to live on the website. The Authority is aware that the private health insurance market can be complex and confusing and this may prevent consumers from getting the most appropriate policy for their particular circumstances or even taking out private health insurance at all. The objective of the myth busting videos is to support consumers understanding of health insurance issues so that they are fully informed when making decisions on private health insurance issues and to guide them to the Health Insurance Authority's website (www.hia.ie) as the authoritative source of independent information on health insurance issues. When visiting www.hia.ie, consumers will have access to a range of simply presented content which will answer all of their questions and arm them with the information they need to make the best decision for themselves and their family.

The Authority commenced the series with an explanatory video explaining the core health insurance concept of community rating. The video was promoted on radio and through digital media throughout September and October 2017. Additional videos are planned on getting the most appropriate private health insurance cover, comparing policies, explaining policy cover and jargon busting.

The Authority also conducted a print, radio, TV and digital advertising campaign in December 2017 - "Review before you renew" - to encourage policy holders to actively review their current health insurance before renewing.

As many policies are due for renewal around year end, the Authority recommended policyholders review their current plan and level of cover by using the Authority's website www.hia.ie, as comparisons may show they can maintain current health cover at a lower cost, or find a more suitable, cost effective plan.

The campaign highlighted that savings of over €1,300 could potentially be made through switching to a similar plan with another provider.

4 Corporate Affairs

4.1 Strategy

During 2015, the Authority developed a Strategic Plan for the three-year period 2016 to 2018 setting out the Mission, Core Values, Vision, Goals and Strategic Objectives. The Authority aims to continue to strengthen its role and services in line with its statutory remit, through the application of forward planning and continuous improvement. The Plan was developed by way of:

- A review of the Strategic Plan of the Authority for the period 2012 – 2014;
- A series of strategy workshops involving the management of the Authority and Authority Members;
- Detailed SWOT analysis (Strengths, Weaknesses, Opportunities, Threats);
- Detailed PEST Analysis (Political, Economic, Social, Technological);
- Identification of key considerations for the Authority; and
- Development of the Strategic Plan.

The Authority completed a review of the Strategic Plan for 2016-2018 towards the end of 2017, and confirmed that the existing Mission, Vision, Core Values and Strategic Goals remain appropriate. Some minor changes to the actions required to support the Authority's objectives have been reflected in the updated document and in the Service Plan for 2017. The Plan is available on the Authority's website at <https://www.hia.ie/strategic-plan>

The following statements incorporate the core purpose and strategic focus of the Authority for the ensuing three years.

The Vision of the Authority

"To be recognised as an effective independent regulator of, and an authoritative source of information and advice on, the Irish health insurance market."

The Mission of the Authority

The mission of the Authority is:

"To benefit the common good by supporting community rating, open enrolment and lifetime cover in a competitive voluntary health insurance market."

The Values of the Authority

The Authority has adopted the following values to apply in its activities:

- act always with independence, impartiality and integrity;
- work in a professional and effective way;
- be a trusted custodian of assets under its management;
- actively engage with stakeholders and be receptive to new ideas and suggestions from all sources;
- be pro-active and innovative in its approach;
- maintain transparency in all of its activities; and
- value its people.

The Authority acknowledges the importance of and is guided by its Vision, Mission and Values in maintaining high standards and quality provision of service.

4.2 Corporate Governance

Corporate Governance Code of Practice

The Code of Practice for the Governance of The Health Insurance Authority is based on the updated “Code of Practice for the Governance of State Bodies” issued by the Department of Finance in May 2009. The Department of Public Expenditure and Reform published a revised Code of Practice for the Governance of State Bodies (2016) (the “Code”) which came into effect on 1 September 2016. The revised Code’s provisions supersede the standards previously issued in October 2001 and May 2009 by the Department of Finance.

With the assistance of the Department of Health, management updated relevant documents, e.g., terms of reference, written charters etc., and is compliant with the new Code requirements in respect of 2017.

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.

Protected Disclosure

In accordance with Section 21 of the Protected Disclosures Act, 2014 the Authority has established and maintains procedures for current or former employees to make protected disclosures in relation to the Authority and its work and for dealing with such disclosures. Written information in relation to these procedures has been provided to all employees. The Authority’s policy can be found on its website at <https://www.hia.ie/about-us/governance>.

In respect of 2017 no disclosures were made to the Authority under the Protected Disclosures Act 2014.

Human Rights and Equality

In accordance with Section 42 of the Irish Human Rights and Equality Commission Act, 2014 the Authority has established and maintains procedures to eliminate discrimination, promote equality and protect the human rights of people that use the Authority’s services, people affected by its policies and people employed by the Authority.

In respect of 2017 no disclosures were made to the Authority under the Irish Human Rights and Equality Commission Act, 2014.

Annual Report and Accounts

The Annual Accounts for 2017 for both the Health Insurance Authority and the Risk Equalisation Fund (administered by the Authority) 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 Section 5 of this Annual Report and Accounts.

Internal Audit

Following the issuing of the Code in August 2016, the Audit Committee in February 2017 reviewed and updated its Terms of Reference and Charter in compliance with the new Codes requirements and became the Audit and Risk Committee (the “ARC”).

The ARC met four times in 2017. Membership and attendance at meetings of the Audit & Risk Committee throughout 2017 can be found in the Governance Statement contained in the Accounts set out in Section 5 of this Annual Report and Accounts. The ARC agreed a programme of internal audits and during 2017 the Committee directed that a number of audits be conducted on its behalf by BDO, the Authority’s appointed internal auditors. The internal auditors conducted separate audits on the internal financial controls for the Health Insurance Authority and the Risk Equalisation Fund, a review of previous IT audit findings and a cyber security review. Reports on each audit containing audit descriptions, audit findings and management comments were submitted to the ARC and the Authority. The ARC met with both the internal and external auditors during the year. Action plans were prepared by the Authority’s executive to address audit findings and these were monitored by the ARC.

The ARC oversaw the annual financial statements and accounting policy, risk management, internal controls and value for money issues.

Risk Management

The Authority in undertaking its role and functions, is exposed to a variety of strategic, operational and financial risks. These risks may arise from either internal or external sources and may prevent, or seriously affect the ability of the Authority in achieving its objectives.

In line with the “Risk Management Guidance for Government Departments and Offices”, issued by the Department of Finance, March 2004 and the Code, the Authority has set the organisation risk appetite and developed policies to identify, evaluate, mitigate and manage the risks it faces. Effective risk management allows the Authority improve its strategic, operational and financial management.

Risk Management is included within the Terms of Reference of the ARC and the Committee is directly tasked with the oversight of risk management. Risk management is a standing item on the agendas of both the Authority and ARC. In addition, on an annual basis the Authority reviews the risks identified on the risk register and the management plan for mitigating the identified risks. Risks identified throughout the year will be added to the Risk Register on an on-going basis. High ranking risks (those rated as amber or red), new risks and changing risks on the Risk Register are reviewed a further twice per year by the Authority.

The high-ranking risks on the Authority’s risk register at the end of 2017 were as follows:

Table 1 - High Ranking Risks and Mitigating Actions from the Risk Register

Risk Definition	Mitigating Action
Inadequate consumer understanding of health insurance cover leading to a significant negative impact for consumers	<ul style="list-style-type: none"> • Authority’s consumer information function, communication plan and advertising work undertaken • Advise the Minister on market issues and legislative issues • All open insurers to comply with the Central Bank of Ireland’s Consumer Protection Code
Risk of a failure issue with the HIA website	<ul style="list-style-type: none"> • Software and security updates • Appropriate updating, servicing and security procedures • Periodic website security testing • Service contract with competent website developers
Risk of failure in IT systems security	<ul style="list-style-type: none"> • Software and security updates • Use of spam ware, antivirus software and firewalls • Access to IT systems is limited physically, secure login and password protected • Appropriate IT security procedures • Periodic audit of IT systems by external experts • Service contract with competent IT service agents
Risk of resource/time limitations impacting on work	<ul style="list-style-type: none"> • Delegation of work to consultants • Reprioritisation of work • Internal sharing of work • Caveating of work where appropriate • Process for stressed work flow • Maintain significant financial reserves • Use external resources if appropriate • Internal review • External review including legal review of processes related to potentially contentious decisions
Risk of legislation or lack of appropriate legislation leading to unintended negative consequences	<ul style="list-style-type: none"> • Legislation is drafted by appropriately qualified people in the Attorney General’s office • On-going advice on legislation by the Authority and recommendation where appropriate

Increased risk segmentation between and within insurers leading to an undermining of the 'principal objective'	<ul style="list-style-type: none"> • Risk Equalisation Scheme • Consumer information function, communication plan and advertising work • Statutory provisions to comply with Health Insurance Acts • Bi annual reports to the Department of Health on the evaluation and analysis of information returns • Advise on updating Minimum Benefits Regulations • Continue to advise on updating and improving the risk equalisation system • Monitor difference in average premium for different age groups • All open insurers to comply with Central Bank of Ireland Consumer Protection Code • Support the Department of Health in its work on introducing enhanced health status measures (DRG's)
Risk of major non-compliance with health insurance legislation by a non-registered insurer or related entity	<ul style="list-style-type: none"> • Authority function to monitor the market and the information provided • Enforcement powers for the Authority • Proposed legislative amendments to Department of Health where appropriate
Operational risk arising from the size of the Authority	<ul style="list-style-type: none"> • Appropriate organisational succession planning • Appropriate payment procedures including sufficiency of staff to make payments when required

Official Languages

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

The Authority drafted its first Irish Language Scheme under Section 11 of the Official Languages Act 2003. Section 11 provides for the preparation by public bodies of a statutory scheme detailing the services they will provide

- through the medium of Irish;
- through the medium of English; and
- through the medium of Irish and English.

The Scheme was developed by the Authority having regard to the Guidelines prepared under Section 12 of the Official Languages Act 2003. The first Health Insurance Authority Language Scheme 2017 – 2020 was confirmed by the Minister for the Department of Culture, Heritage, and the Gaeltacht, and came into effect on the 9 October 2017. The Scheme sets out the measures to be adopted to ensure that a range of some services not provided through the medium of Irish will be so provided within the agreed timeframe. The Scheme is available on the Authority's website at www.hia.ie

Freedom of Information and Parliamentary Questions

The Authority continues to meet its obligations in relation to responding to Freedom of Information requests and parliamentary questions. The 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. The Authority remains within the scope of Freedom of Information legislation following the enactment of the Freedom of Information Act 2014.

In addition to processing requests made under the Freedom of Information Act 2014 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. A new Freedom of Information Act 2014 was signed into law on 14 October 2014 and gave effect to significant changes to the operation of Freedom of Information requests. The Authority has updated its policies and procedures in accordance with the new legislation.

In compliance with Section 8 of the Freedom of Information Act 2014, the Authority prepared and published a Publication Scheme having regard to the principles of openness, transparency, and accountability. The Publication Scheme allows for the publication or giving of records in an open and accessible manner on a routine basis outside of Freedom of Information provided that such publication or giving of access is not prohibited by law. The Scheme commits the Authority to making information available as part of its normal business activities in accordance with the Scheme.

The Authority received three Freedom of Information requests during 2017 and provided information in respect of nineteen parliamentary questions.

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.

The Authority developed a Communication Plan for 2017 in consultation with its communication service providers to assist the Authority in implementing its Corporate Strategy and to achieve its Corporate Goals and Strategic Objectives with a considered and effective programme of communications activities.

During 2017, the Authority engaged in a number of communications campaigns employing both targeted public relations activities and advertising to inform and deepen the understanding of the public around the community-rating private health insurance market, and changes to the operation of this market.

The primary communications activities comprised of the following:

- Publication of the Authority's Annual Report;
- Publication of the Authority's Quarterly Newsletters;
- Responding to queries from media on a range of matters concerning private health insurance including
 - ◆ Charges to patients with PHI cover in public hospitals
 - ◆ Switching of cover providers
 - ◆ Anti-fraud activities in the area of PHI
- Community rating explanatory video and associated advertising campaign;
- Review of www.hia.ie website for functionality and a better customer journey;
- Policy Renewal Advertising Campaign; and
- Ongoing communication with consumers through social media channels.

Energy Consumption

The public sector has been set a target by the Government of a 33% energy efficiency savings by 2020, equal to 3,240 GWh. This represents 10% of the energy saving required by 2020 for the entire economy (a national target of 20% saving has been set for the economy as a whole). To achieve the targeted saving the National Energy Efficiency Action Plan (NEEAP) was developed which along with the European Communities (Energy End-Use Efficiency and Energy Services) Regulations 2009 mandated the following obligations and targets;

- All public sector bodies from 1 January 2011 shall include in annual reports, a statement describing the actions they are taking to improve its energy efficiency and an assessment of its progress towards the 33% target;
- Put energy efficiency programmes in place for Government Departments, State Agencies, Local Authorities, the Health Service and all other areas of the public sector;
- Implement energy-efficient procurement practices; and
- All public sector buildings over 1,000m² must have a Display Energy Certificate on show to demonstrate actual energy use and the Building Energy Rating.

The Authority has one office which is located in Canal House. The offices are situated on one floor of a multi occupancy office building owned by the Construction Workers Pension Scheme Trustees Limited. The floor area leased does not exceed 1,000m² where a Display Energy Certificate is required.

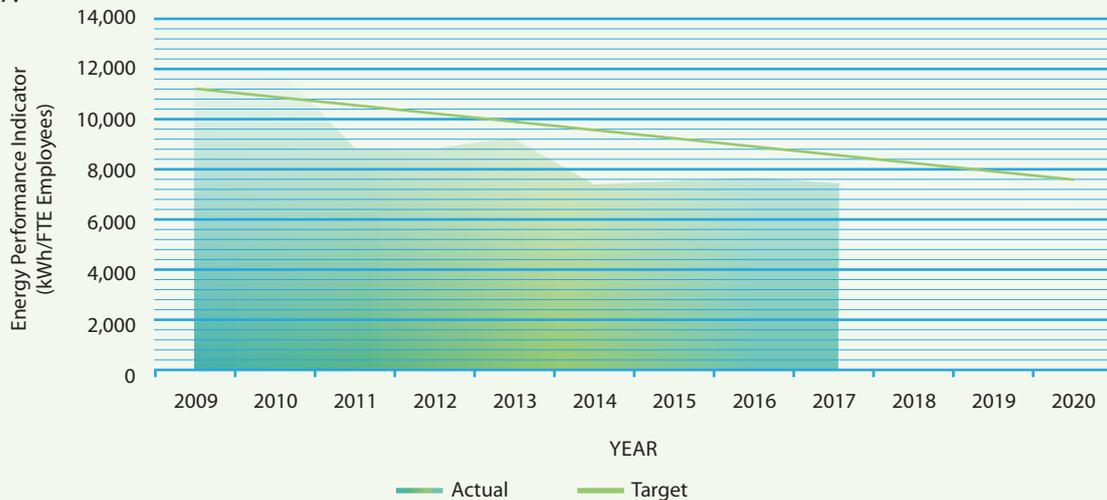
The Authority reports on its energy performance to the Sustainable Energy Authority of Ireland under SI No 542/2009 – European Communities (Energy End Use Efficiency and Energy Services) Regulations 2009. The report on

the energy consumption is based on the proportion of Authority staff within the whole building. This approach has been taken as some floors within the building were unoccupied during the reporting period.

In 2017, the Authority consumed 44.9 kWh of energy, consisting of:

- 29.9kWh (2016: 30.6kWh) of electricity; and
- 13.8kWh (2016:14.3kWh) of fossil fuels (heating).

The following graph shows the historical energy performance for the Authority starting at the base line year of 2009 up to 2017.



Energy Efficiency Programme Actions Undertaken in 2017

- Heating managed in line with actual weather conditions;
- Information Technology and other equipment replaced with more energy efficient equipment when replacements are required;
- The increased use of digital correspondence where practical; and
- The continued promotion of responsible energy usage within the organisation.

Energy Efficiency Programme Actions Planned for 2018

- Procurement of energy efficient multi-functional devices when replacing equipment;
- To continue working with Construction Workers Pension Scheme Trustees Ltd and its agents to introduce energy usage reduction measures where practical;
- The promotion of increased use of digital correspondence; and
- The continued promotion of responsible energy usage within the organisation.

The Authority has achieved savings to date of 9.1% above average placing it in the eighth percentile of all reporting public bodies and it is on target to meet the target of 33% energy efficiency saving by 2020.

4.3 Resources

Staff

The Authority employs eleven members of 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. The 2010 Levy Regulations⁴ set the rate to be paid by registered undertakings at 0.12% of premium income of registered undertakings. Statutory Instrument 528/2014, Health Insurance Act 1994 (Section 17) Levy Regulations 2014 further amended the income levy setting the rate at 0.01% for 2015 and 2016 and at 0.09% from 2017. The levy is payable to the Authority on a quarterly basis. Registered undertakings are also obliged to submit details of the numbers of insured persons and the premium income. These statistics are summarised in Appendix A. The Register of Health Benefits Undertakings as at 31 December 2017 is set out in Appendix D.

⁴The Health Insurance Act, 1994 (Section 17) Levy (Amendment) Regulations, 2010 (S.I. No. 539 of 2010).

5 Report and Accounts 2017

5.1 The Health Insurance Authority Report and Financial Statements for the year 1 January 2017 to 31 December 2017

To the Minister for Health

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 2017.

The Health Insurance Authority

(“the Authority”)

Report and Financial Statements

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The Health Insurance Authority

Authority Information

Members of the Authority

Sheelagh Malin (Chairperson)
Sean Coyle
Dr Fiona Kiernan
James A. McNamara
Ian Britchfield

Chief Executive/Registrar

Don Gallagher

Secretary

Eamonn Horgan

Bankers

AIB plc.
40/41 Westmoreland Street
Dublin 2

Permanent TSB
56/59 St Stephen's Green
Dublin 2

RaboDirect
Georges Dock House
2 Georges Dock
IFSC
Dublin 1
DO1HT26

Auditors

Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1
DO1PF72

Offices

Canal House
Canal Road
Dublin 6

The Health Insurance Authority

Governance Statement and Authority Members' Report

Governance

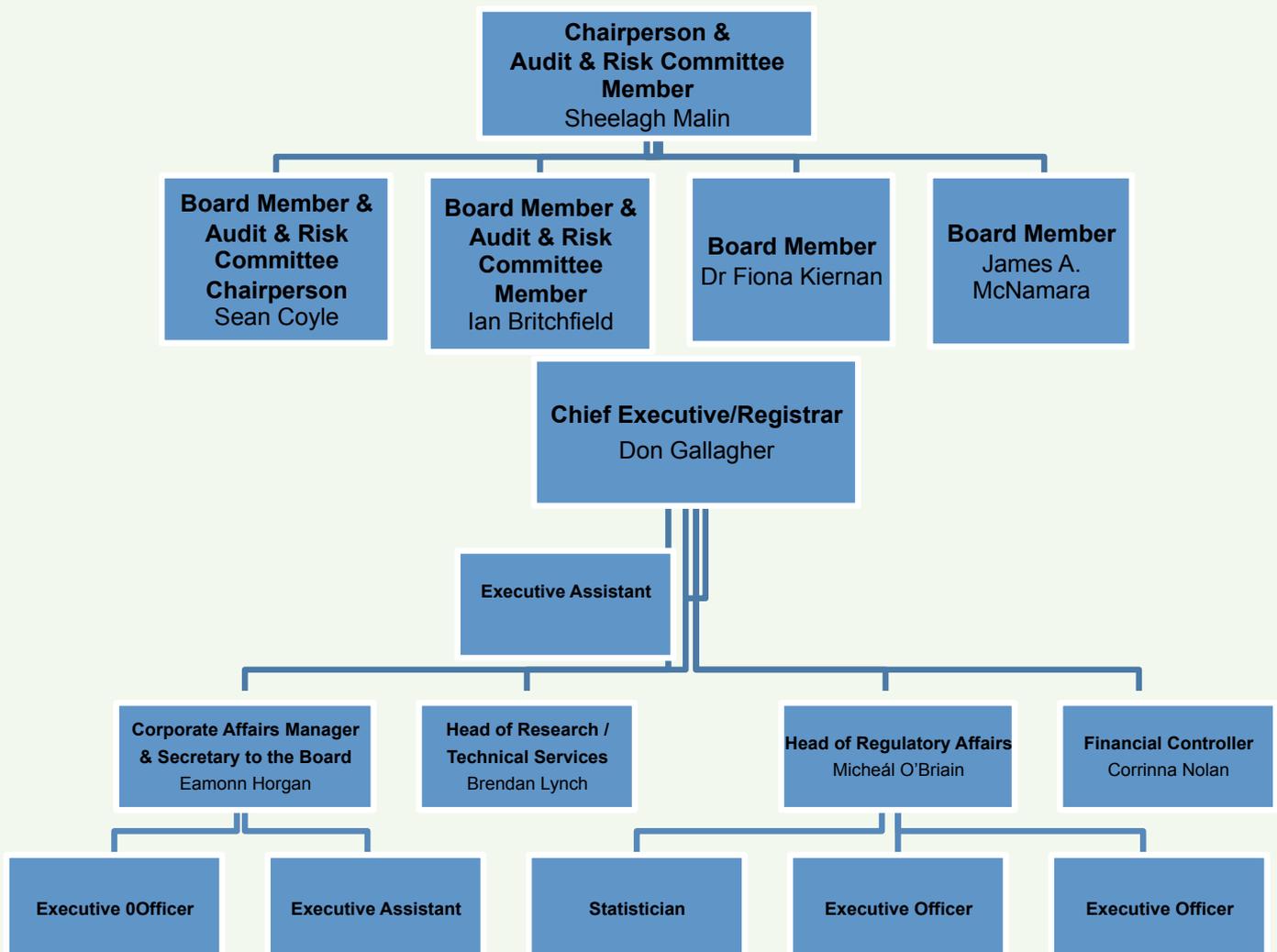
The Authority was established by Ministerial Order on 1 February 2001, under the Health Insurance Act, 1994 as amended (the "Health Insurance Acts"). Schedule 1 of the Health Insurance Acts establishes the Authority as a corporate body and the arrangements for appointing the Chairperson and Members of the Authority. The Authority consists of five members appointed by the Minister for Health, one of whom is appointed as Chairperson.

The Authority has put in place Rules of Business (Terms of Reference) which set out the arrangements for Authority membership, the calling and conducting of meetings, the role of the Secretary of the Authority, and the Authority's duties and reporting responsibilities. The Rules were updated in early 2017 in line with the revised Code of Practice for the Governance of State Bodies 2016 (the "Code") as published by the Department of Public Expenditure and Reform in August 2016.

These arrangements also apply to the Risk Equalisation Fund, responsibility for which, rests with the Authority under the Act.

Organisational Structure

Organisational Structure of the HIA - December 2017



The functions of the Authority are set out in section 21(1) of the Health Insurance Acts. The Authority reports, in respect of its governance arrangements, to the Minister for Health and is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of the Health Insurance Authority are the responsibility of the Chief Executive/Registrar (CE/R) and the senior management team. The CE/R and the senior management team must follow the broad strategic direction set by the Authority, and must ensure that all Members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise. The CE/R acts as a direct liaison between the Authority and management.

Authority Responsibilities

The work and responsibilities of the Authority are set out in the Terms of Reference of the Authority, which also contain the matters specifically reserved for Authority decision. Standing items considered by the Authority include:

- declaration of interests;
- reports from committees;
- financial reports/management accounts;
- performance reports; and
- reserved matters.

Section 32(2) of the Health Insurance Acts, requires the Members of the Authority to keep, in such form as may be approved by the Minister for Health with consent of the Minister for Public Expenditure and Reform, all proper and usual accounts of money received and expended by it.

In preparing these financial statements, the Authority is required to:

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

The Authority is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, its financial position and enables it to ensure that the financial statements comply with Section 32(2) of the Health Insurance Acts. The maintenance and integrity of the corporate and financial information on the HIA website is the responsibility of the Authority.

The Authority is responsible for approving the annual plan and budget. An evaluation of the performance of the organisation by reference to the annual plan and budget was carried out by the Authority on 23 February 2018.

The Authority is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Health Insurance Authority is responsible for the establishment, administration and maintenance of the Risk Equalisation Fund. The Members of the Authority are responsible for the production and approval of financial statements for the Fund.

The Authority considers that the financial statements of both the Health Insurance Authority and the Risk Equalisation Fund give true and fair views of the financial performance and the financial positions of both entities at 31 December 2017.

Authority Structure

The Authority consists of a Chairperson and four ordinary members, all of whom are appointed by the Minister for Health. The Members of the Authority were appointed for periods of between three to five years and meet on a monthly basis. The table across details the appointment period for current Members:

Authority Member	Role	Date Appointed
Sheelagh Malin (Chairperson)	Chairperson	6 May 2010 Reappointed 1 February 2016
Sean Coyle	Ordinary Member	1 February 2016
Dr Fiona Kiernan	Ordinary Member	1 February 2016
James A. McNamara	Ordinary Member	1 February 2016
Ian Britchfield	Ordinary Member	20 June 2016

The Authority undertook an annual self-assessment evaluating its own performance in respect of 2017 in April 2018.

The Authority has established one committee, as follows:

Audit and Risk Committee:

Comprises three Authority Members. The role of the Audit and Risk Committee (ARC) is to support the Authority in relation to its responsibilities for issues of risk, control and governance and associated assurance. The ARC is independent from the financial management of the organisation. In particular the ARC ensures that the internal control systems including audit activities are monitored actively and independently. The ARC reports to the Authority after each meeting, and formally in writing annually.

The Members of the ARC are: Sean Coyle (Chairperson), Ian Britchfield and Sheelagh Malin. There were 4 meetings of the ARC in 2017.

Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Authority and ARC meetings for 2017 is set out below including the fees and expenses received by each Member:

	Authority	Audit & Risk Committee	Fees 2017	Expenses 2017
			€	€
Number of Meetings	12	4		
Sheelagh Malin	12	3	8,978	0
Sean Coyle	10	4	5,985	0
Dr Fiona Kiernan	12		0	0
James A. McNamara	11		0	4,386
Ian Britchfield	12	4	5,985	408
			20,948	4,794

Two Members of the Authority, Dr Fiona Kiernan and James A. McNamara did not receive a fee under the One Person One Salary (OPOS) principle.

Key Personnel Changes

The membership of the ARC increased during the year owing to its changing functions from audit to audit and risk in line with the requirements of the Code.

In February 2017 Sheelagh Malin was appointed by the Authority as a Member of the ARC.

Disclosures Required by Code of Practice for the Governance of State Bodies (2016)

The Authority is responsible for ensuring that the Health Insurance Authority has complied with the requirements of the Code. The following disclosures are required by the Code:

Consultancy Costs

There were no consultancy costs incurred other than the 'business-as-usual' costs included in Note 5.

Legal Costs and Settlements

There no legal costs to be disclosed relating to legal proceedings, or settlements.

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

		2017 €	2016 €
Domestic	Authority	4,794	3,651
	Employees	1,181	1,473
International	Authority	0	0
	Employees	0	0
Total		5,975	5,124

Hospitality Expenditure

The Income and Expenditure Account includes the following hospitality expenditure:

		2017 €	2016 €
Total	Staff & Authority hospitality	821	1,202
	Client hospitality	821	1,275
		1,642	2,477

Statement of Compliance

The Health Insurance Authority has materially complied with the requirements of the Code, with the following exceptions:

The Authority has agreed with the Department of Health to modify its compliance with Paragraph 8.48 of the Code on legal disputes where it is stated that “where a legal dispute involves another State body, unless otherwise required by statute, every effort should be made to mediate, arbitrate or otherwise resolve before expensive legal costs are incurred. State bodies should pursue the most cost effective course of action in relation to legal disputes.” The Authority has qualified the requirement by inserting “(other than a registered undertaking)” after “State body”. This reflects the fact that Section 33B of the Health Insurance Acts requires that “the Authority shall perform the functions conferred on them by or under this Act in such a manner as will result in registered undertakings being treated equally in similar circumstances.”

The Authority has agreed with the Department of Health to modify its compliance with Appendix C, the Framework for a Code of Conduct of the Code, where it is suggested that the Authority’s Code of Conduct should address the issue of loyalty by acknowledging “the responsibility to be loyal to the State body and fully committed in all its business activities while mindful that the organisation itself must at all times take into account the interests of the shareholder.” The corresponding section in the Authority’s Code of Conduct states that “...the organisation must at all times take into account the requirements of its governing legislation”, rather than the “interests of the shareholder”.

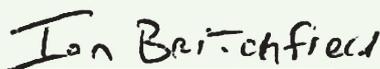
The Authority has agreed with the Department of Health the interpretation of Paragraph 3.3 of the Code which states that “if a Board member/Director finds evidence that there is non-compliance with any statutory obligations that apply to the State body, he/she should immediately bring this to the attention of their fellow Board members/Directors with a view to having the matter rectified. The matter should also be brought to the attention of the relevant Minister by the Chairperson indicating (i) the consequences of such non-compliance and (ii) the steps that have been or will be taken to rectify the position. It is the Chairpersons responsibility to make such issues known to the Minister.” The Authority interprets this requirement as relating to any material non-compliance.

The Authority has agreed with the Department of Health to not disclose aggregate details of the compensation as required under Paragraph 1.4 (vi) of the Business and Financial Reporting Requirement document accompanying the Code. The Authority does not disclose details of the compensation of employees due to the small size of the organisation and the likelihood of an individual’s compensation being identified.

The Authority has agreed with the Department of Health to not disclose details of employee salaries and pension costs over €60,000 in bands of €10,000 as required by Paragraph 1.4 (viii) of the Business and Financial Reporting Requirement document accompanying the Code. The Authority does not disclose details of the salaries and pension costs due to the small size of the organisation and the likelihood of an individual’s compensation being identified.



Sheelagh Malin
Chairperson



Ian Britchfield
Member

8th June, 2018
Date

The Health Insurance Authority

Statement on Internal Control

Scope of Responsibility

On behalf of The Health Insurance Authority (“the Authority”) I acknowledge the Authority’s responsibility for ensuring that an effective system of internal control is maintained and operated in respect of the Authority and the Risk Equalisation Fund. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

The System of Internal Control is designed to manage risk to a tolerable level rather than to eliminate it. The System can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The System of Internal Control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in the Authority for the year ended 31 December 2017 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The Authority has an Audit and Risk Committee (“ARC”) comprising three Members of the Authority with financial and audit expertise, one of whom is the Chairperson. The ARC met four times in 2017.

The Authority engages an independent Internal Auditor that operates in accordance with the approved Internal Audit Charter and reports to the ARC. An Internal Audit Plan is approved by the ARC and revised annually. The Internal Audit Plan is developed using a risk based approach.

The Authority has set the organisations risk appetite and this is laid out in a Risk Appetite Statement included in its Strategy document. The ARC has developed a Risk Management Policy which sets out the Risk Management Processes in place and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff who are expected to work within the Authority’s Risk Management Policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work.

Risk and Control Framework

The Authority has implemented a Risk Management System which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

Risk management is a standing item on the agenda of both the ARC and the Authority. A Risk Register is in place which identifies the key risks facing the Authority and these have been identified, evaluated and graded according to their significance. The Authority, on an annual basis, review all the risks identified on the Risk Register and the management plan for mitigating the identified risks. Risks identified throughout the year are added to the Risk Register on an on-going basis. In addition, the high ranking risks (those rated as amber or red), new risks and changing risks on the Risk Register are reviewed a further twice during the year by the Authority. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The Risk Register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff. I confirm that a control environment containing the following elements is in place:

- procedures for all key business processes have been documented,
- financial responsibilities have been assigned at management level with corresponding accountability,
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management and the Authority,
- there are systems aimed at ensuring the security of the information and communication technology systems and
- there are systems in place to safeguard the Authority’s assets.

Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Authority, where relevant, in a timely way. I confirm that the following ongoing monitoring systems are in place:

- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- there are regular reviews by senior management and the Authority of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

I confirm that the Authority has procedures in place to ensure compliance with current procurement rules and guidelines and that during 2017 the Authority complied with those procedures.

Review of Effectiveness

I confirm that the Authority has procedures to monitor the effectiveness of its Risk Management and Control Procedures. The Authority's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the Internal and External Auditors, the Audit and Risk Committee which oversees their work, and the senior management within the Authority responsible for the development and maintenance of the internal financial control framework.

I confirm that the Members of the Authority conducted an annual review of the effectiveness of the Internal Controls for 2017.

Internal Control Issues

No material weaknesses in Internal Control were identified in relation to 2017.

On behalf of the Members of the Authority;



Sheelagh Malin
Chairperson

Date: 8th June, 2018

Report of the Comptroller and Auditor General The Health Insurance Authority

Opinion on financial statements

I have audited the financial statements of the Health Insurance Authority for the year ending 31 December 2017 as required under the provisions of section 32 of the Health Insurance Act 1994. The financial statements comprise

- the statement of income and expenditure and retained revenue reserves
- the statement of financial position
- the statement of cash flows and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Health Insurance Authority at 31 December 2017 and of its income and expenditure for 2017 in accordance with Financial Reporting Standard (FRS) 102 — The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Health Insurance Authority and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Health Insurance Authority has presented certain other information together with the financial statements. This comprises the annual report including the governance statement and Authority members' report and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.



John Crean

For and on behalf of the
Comptroller and Auditor General
15 June 2018

Appendix to the Report of the Comptroller and Auditor General

Responsibilities of Authority members

The governance statement and Authority members' report sets out the Authority members' responsibilities. The Authority members are responsible for

- the preparation of financial statements in the form prescribed under section 32 of the Health Insurance Act 1994
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 32 of the Health Insurance Act 1994 to audit the financial statements of the Health Insurance Authority and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Health Insurance Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Health Insurance Authority to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

The Health Insurance Authority

Statement of Income and Expenditure and Retained Revenue Reserves for the year ended 31 December 2017

	Notes	12 months ended 31 December, 2017 €	12 months ended 31 December, 2016 €
Income	2	2,465,017	428,153
Administration Costs	3	(1,994,096)	(1,635,883)
Excess of income over expenditure/ (expenditure over income)		470,921	(1,207,730)
Interest Receivable		9,342	19,004
Surplus/ (Deficit) for the year		480,263	(1,188,726)
Retained revenue reserves at beginning of year		8,636,922	9,825,648
Retained revenue reserves at end of year		9,117,185	8,636,922



Sheelagh Malin
Chairperson



Ian Britchfield
Member

8th June, 2018
Date

Notes 1 to 14 form part of these Financial Statements.

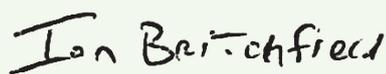
The Health Insurance Authority

Statement of Financial Position as at 31 December 2017

	Notes	2017 €	2016 €
Fixed assets			
Tangible assets	6	20,573	51,994
Current assets			
Cash and cash equivalents		10,528,183	10,467,549
Prepayments and other debtors	7	1,063,941	334,473
		11,592,124	10,802,022
Creditors (amounts falling due within one year)			
Creditors and accruals	8	(2,495,512)	(2,217,094)
Net current assets		9,096,612	8,584,928
Total assets less current liabilities		9,117,185	8,636,922
Net assets		9,117,185	8,636,922
Represented by			
Retained revenue reserves		9,117,185	8,636,922
		9,117,185	8,636,922



Sheelagh Malin
Chairperson



Ian Britchfield
Member

8th June, 2018
Date

Notes 1 to 14 form part of these Financial Statements.

The Health Insurance Authority

Statement of Cash Flows for the year ended 31 December, 2017

	Notes	2017 €	2016 €
Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus/(deficit) for year		480,263	(1,188,726)
Depreciation	6	34,730	41,422
(Increase) in debtors	7	(729,421)	(70,255)
Increase in creditors	8	278,418	329,396
Net cash inflow/(outflow) from operating activities		63,990	(888,163)
Cashflow from investing activities			
Payments to acquire tangible fixed assets	6	(3,309)	(9,078)
		60,681	(897,241)
Cashflow from financing activities			
Interest earned		(9,341)	(18,845)
Interest received		9,294	40,529
Increase/ (decrease) in cash and cash equivalents		60,634	(875,557)
Cash and cash equivalents at 1 January		10,467,549	11,343,106
Cash and cash equivalents at 31 December		10,528,183	10,467,549
Increase/ (decrease) in cash and cash equivalents		60,634	(875,557)



Sheelagh Malin
Chairperson



Ian Britchfield
Member

8th June, 2018
Date

Notes 1 to 14 form part of these Financial Statements.

The Health Insurance Authority

Notes (forming part of the financial statements)

1. Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Basis of Preparation

The financial statements have been prepared in compliance with Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102"). The financial statements have been prepared on the accruals basis of accounting in accordance with generally accepted accounting principles and under the historical cost convention.

The financial statements of the Authority are presented in Euro ("€") which is also the functional currency of the Authority.

The Authority is of the opinion that there are no critical judgements that have a significant impact on the amounts recognised in the financial statements.

Levy Income

The levy income represents the amount receivable by the Authority in respect of the period. This takes account of payments made to the Authority in accordance with the Health Insurance Act 1994 as amended. 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 Statement of Income and Expenditure and Retained Revenue Reserves, 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 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 Statement of Income and Expenditure and Retained Revenue Reserves for the period.

Monetary assets and liabilities denominated in foreign currencies are converted into euro at exchange rates ruling at the reporting date and resulting gains and losses are included in the Statement of Income and Expenditure and Retained Revenue Reserves for the period.

Risk Equalisation Fund

The Risk Equalisation Fund (the Fund) was established on 1 January 2013 under the Health Insurance (Amendment) Act 2012. The Authority is responsible for maintaining and administering the Fund and recoups the costs incurred from the Fund. The basis for recouping costs comprises full apportionment of costs which are directly related to the Fund and partial apportionment of costs incurred by the Authority as set out in **Note 13** of the financial statements. Separate financial statements are prepared by the Authority for the Fund on an annual basis.

Retirement Benefits

In accordance with Section 28 of the Health Insurance Act, 1994, the Authority may, with the consent of the Minister for Health and the Minister for Public Expenditure and Reform, make a scheme for the granting of superannuation benefits to staff members of the Authority. The Health Insurance Authority Employee Superannuation Scheme (SI 637 of 2016) was signed 21 December 2016 in which the Rules set out in the Schedule to the Rules for Pre-existing Public Service Pension Scheme Members Regulations 2014 (S.I. No. 582 of 2014) are adopted as a Scheme for the granting of superannuation benefits to or in respect of members of

the staff, including the Registrar, of the Health Insurance Authority, as appropriate. The Authority 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. The Health Insurance Authority is in discussion with the Department of Health in regard to the Health Insurance Authority's pension funding mechanism. It is not clear that the financial statements will require the actuarially calculated pension charge or the actuarially calculated pension liability and pension asset in respect of the Health Insurance Authority's superannuation scheme, to be disclosed.

As a result the accounting policy with regard to pensions is to treat them as a defined contribution plan in accordance with section 28.13 of FRS 102. See **Note 10** for further details.

New Entrant staff employed by the Authority after 1 January 2013 are members of the Single Public Service Pension Scheme in accordance with Public Service Pensions (Single Scheme and Other Provisions) Act 2012. The Authority makes the necessary deductions from salaries for staff who are part of the scheme. Employee and employer contributions are transferred to the Department of Public Expenditure and Reform on a monthly basis in accordance with the Public Service Pensions (Single Scheme and Other Provisions) Act 2012.

2. 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 in order to fund the operations of the Authority and make adequate provision for contingencies. The Health Insurance Act, 1994 (Section 17) Levy Regulations, 2001 set the rate for the income levy at 0.14% of the assessable amount paid to all commercial and restricted undertakings in Ireland. The rate was subsequently reduced to 0.12% by the Health Insurance Act 1994 (Section 17) Levy (Amendment) Regulations 2010. Statutory Instrument 528/2014, Health Insurance Act 1994 (Section 17) Levy Regulations 2014 further amended the income levy setting the rate at 0.01% for 2015 and 2016 and at 0.09% from 2017.

	2017 €	2016 €
Income Levy	2,278,884	241,245
Recharged Risk Equalisation Fund costs (Note 13)	186,133	186,908
	2,465,017	428,153

3. Administration Costs

	2017 €	2016 €
Salaries, pension cost and other staff costs (Note 4)	858,054	804,165
Training costs	32,923	15,532
Directors' Fees (Note 4)	20,948	17,264
Rent, Service Charges and Maintenance	99,418	112,983
Consultancy (Note 5)	311,158	277,657
Insurance	18,267	17,515
Computer and Stationery Costs	23,603	34,899
Other Administration Costs ⁵	49,446	38,246
Consumer Information	537,049	266,700
Audit	8,500	9,500
Depreciation	34,730	41,422
	1,994,096	1,635,883

Administration expenses of €186,133 (2016: €186,908) in respect of the Risk Equalisation Fund are recouped from the Fund and treated as income (see **Note 13**).

Expenditure on consumer information increased in 2017 due to a consumer information renewals campaign conducted by the HIA at a cost of €389,347 (2016: €266,700).

⁵ Other Administration Costs include €821 (2016: €1,202) in relation to staff and board related events.

4. Remuneration

The objective of the disclosure is to provide information on remuneration in State bodies, in terms of the total expenditure incurred by the State body and remuneration arrangements of key staff including the CE/R and other key management. Employee benefits, as defined by Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102"), includes salaries and pension costs, termination benefits, post-employment benefits, other long-term benefits and share based payment transactions.

Directors Fees

Fees payable to individual board members for 2017 Sheelagh Malin (Chairperson) €8,978 (2016: €7,343), Sean Coyle €5,985 (2016: €5,486), Ian Britchfield €5,985 (2016: €3,188), Dr Fiona Kiernan €0 (2016: €0), James A. McNamara €0 (2016: €0).

Expenses paid to individual board members for 2017 were Ian Britchfield €408 and James A. McNamara €4,386.

Employee Remuneration

Under FRS102 key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

a) Aggregate Employee Benefits

	2017 €	2016 €
Salaries	631,499	596,409
Employers contribution to social welfare	59,169	55,926
Pension Costs	167,386	151,830
	858,054	804,165

The total number of staff employed (WTE) at year end of 2017 was 10 (2016: 11 or 10.6 WTE).

(b) Staff Salaries, Pension & Short-Term Benefits

	2017 €	2016 €
Basic pay	631,499	596,444
Overtime	0	0
Allowances	0	0
	631,499	596,444

(c) Key Management Personnel

Key management personnel in the Authority consists of the Members of the Authority, the CE/R, the Financial Controller, The Head of Regulatory Affairs, the Head of Research and the Corporate Affairs Manager. The total value of employee benefits for key management personnel is set out below:

	2017	2016
	€	€
Salary	394,049	360,540
Allowances	0	0
Termination benefits	0	0
Health Insurance	0	0
	394,049	360,540

This does not include the value of retirement benefits earned in the period. The key management personnel are members of the Health Insurance Authority pension scheme or the Single Public Service Pension Scheme and their entitlements in that regard do not extend beyond the terms of the model public service pension scheme or the Single Public Service Pension Scheme.

(d) Chief Executive/Registrar Salary and Benefits

The CE/R remuneration package for the financial period was as follows:

	2017	2016
	€	€
Salary	92,150	88,454
	92,150	88,454

The CE/R received travel and subsistence for 2017 of €169 (2016: €199).

The CE/R is a member of the Single Public Service Pension Scheme, and his entitlements in that regard do not extend beyond the terms of the scheme. The value of retirement benefits earned in the period is not included above. The CE/R did not receive any perquisites or benefits in 2017.

5. Consultancy Costs

	2017	2018
	€	€
Accountancy	32,182	68,374
Actuarial Services	124,230	75,645
Legal Services	34,675	29,923
Communications	52,872	46,126
Research	58,096	22,906
Superannuation	1,617	1,095
Translation Services	2,486	2,838
Economic consultancy	5,000	30,750
	311,158	277,657

6. Tangible Fixed Assets

	Computer Equipment €	Office Fitting, Furniture & Equipment €	Website Development €	Office Fit Out €	Total €
Cost					
At 31 December 2016	77,192	329,590 ⁶	102,325	51,383	560,490
Additions during year	3,309	-	-	-	3,309
Disposals during year	(9,515)	(2,970)	-	-	(12,485)
At 31 December 2017	70,986	326,620	102,325	51,383	551,314
Depreciation					
At 31 December 2016	59,879	325,916 ⁶	89,896	32,805	508,496
Charge for year	10,988	2,175	11,290	10,277	34,730
Depreciation on disposals	(9,515)	(2,970)	-	-	(12,485)
At 31 December 2017	61,352	325,121	101,186	43,082	530,741
Net Book Value					
At 31 December 2017	9,634	1,499	1,139	8,301	20,573
At 31 December 2016	17,313	3,674	12,429	18,578	51,994
In respect of prior year					
Cost					
At 31 December 2015	69,056	328,901	102,325	51,383	551,665
Additions during year	8,136	942	-	-	9,078
Disposals during year	-	(253)	-	-	(253)
At 31 December 2016	77,192	329,590	102,325	51,383	560,490
Depreciation					
At 31 December 2015	48,125	324,043	72,631	22,528	467,327
Charge for year	11,754	2,126	17,265	10,277	41,422
Depreciation on disposals	-	(253)	-	-	(253)
At 31 December 2016	59,879	325,916	89,896	32,805	508,496
Net Book Value					
At 31 December 2016	17,313	3,674	12,429	18,578	51,994
At 31 December 2015	20,931	4,858	29,694	28,855	84,338

⁶ Office Fitting, Furniture and Equipment at 31 December 2016 excludes the disclosure of a disposal of an appliance which was valued at €0 at the date of disposal.

7. Prepayments and Other Debtors

	2017 €	2016 €
Levy income receivable (Note 2)	561,525	56,958
Accrued interest	1,633	1,586
Prepayments and Other Debtors	44,292	39,375
Travel Cards	1,237	1,168
Risk Equalisation Fund	454,928	235,386
Bike to Work Scheme	326	-
	1,063,941	334,473

8. Creditors (amounts falling due within one year)

	2017 €	2016 €
Trade creditors and accruals	417,291	274,750
Pensions provision (Note 10)	2,042,032	1,855,614
Pension levy	2,617	3,962
Single Public Service Pension Scheme	472	661
PAYE/PRSI	28,607	28,399
Professional Services Withholding Tax	3,998	46,690
Value Added Taxation	495	7,018
	2,495,512	2,217,094

9. Commitments under Operating Leases

The Health Insurance Authority rents offices at Canal House, Canal Road, Dublin 6 at a cost of €68,000 per annum. Rent was renegotiated from €50,000 as a result of a rent review undertaken in May 2017. The Authority entered into a 10 year lease for the offices in May 2012.

At the year end, the Authority has the following annual commitments that fall due as follows:

	2017 €	2016 €
within 1 year	68,000	50,000
Later than one year but within 5 years	232,333	200,000
Later than 5 years	-	50,000
	300,333	300,000

10. Pensions Provision

As discussed in the accounting policies on Retirement Benefits the Authority operates a pension scheme for its employees. The Health Insurance Authority Employees Superannuation Scheme (SI 637 of 2016) was signed 21 December 2016 in which the Rules set out in the schedule to the Rules for Pre-existing Public Service Pension Scheme Members Regulations 2014 (S.I No 582 of 2014) are adopted as a Scheme for the granting of superannuation benefits to or in respect of members of the staff, including the Registrar, of the Health Insurance Authority, as appropriate.

Contributions including employer contributions are at a rate of 25% from July 2006 (16.66% previously) of pensionable pay and are charged to the Statement of Income and Expenditure and Retained Revenue Reserves. The accumulated contributions are held for the account of the Minister for Health.

Benefit entitlements of employees will be a function of their service with the Authority and of their previous service in the civil or public service, where appropriate. The Authority is not funded in respect of such benefit entitlements. It is not probable that the Authority will have an obligation to transfer resources embodying economic benefits (other than for normal employer contributions) for benefits payable to members. Actuarial risk and investment risk is not expected to arise for the Authority.

As a result the requirements in FRS 102 with regard to defined benefit plans are not deemed to apply and no further disclosures are considered necessary.

The following contributions are included in the heading "Salaries and Staff Costs" (Note 3):

	2017 €	2016 €
At beginning of period	1,855,614	1,678,990
Employee Contributions	26,801	24,794
Employer Contributions	159,617	151,830
Total	2,042,032	1,855,614

In addition in 2017: €33,664 (2016: €32,095) was deducted from staff by way of pension levy and was paid over to the Department of Health.

In 2017: €5,990 (2016: €5,744) was deducted from staff in respect of the Single Public Service Pension Scheme and transferred to the Department of Public Expenditure and Reform.

11. Capital Commitments

There were no commitments for capital expenditure at 31 December 2017.

12. Related Party Disclosure

The Authority has adopted procedures in accordance with the guidelines issued by the Department of Finance in relation to the disclosure of interests by the Authority Members and the Authority has adhered to these procedures. There were no transactions in the year in relation to the Authority's activities in which Authority Members had an interest.

13. Risk Equalisation Fund

The Health Insurance (Amendment) Act 2012 provides for the establishment of the Risk Equalisation Fund (the Fund) from 1 January 2013. Stamp Duty payments for policies commencing or renewing on or after 1 January 2013 are paid by insurers to the Revenue Commissioners who in turn transfer the money to the Fund. Risk

Equalisation Credits are paid, on behalf of consumers, out of the Fund to the health insurance undertakings by the Health Insurance Authority. Separate financial statements are prepared in respect of the Fund on an annual basis. The Authority is responsible for administering and maintaining the Fund.

There are no employees directly employed by the Fund. Total costs of €186,133 (2016: €186,908) in respect of the Fund were charged by the Authority for 2017 as follows:

Type of cost	Total recharged to Fund	
	2017 €	2016 €
Salary and staff costs	149,024	142,905
Rent, service charges and maintenance	16,247	19,434
Computer and stationery costs	3,857	7,707
Other administrative costs	17,005	16,710
Other consultancy costs	-	152
	186,133	186,908

14. Approval of Financial Statements

The Financial Statements were approved by the Authority on 25 May 2018.

The Risk Equalisation Fund Report and Accounts 2017

5.2 The Risk Equalisation Fund Report and Financial Statements for the year 1 January 2017 to 31 December 2017

To the Minister for Health

In accordance with the terms of the Health Insurance Act 1994 (as amended), The Health Insurance Authority presents the Financial Statements of the Risk Equalisation Fund for the 12 month period ended 31 December 2017.

The Health Insurance Authority

(“the Fund”)

Report and Financial Statements

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Report of the Comptroller and Auditor General

The Risk Equalisation Fund

Opinion on financial statements

I have audited the financial statements of the Risk Equalisation Fund for the year ending 31 December 2017 as required under the provisions of section 11 D (9) of the Health Insurance Act 1994 (as amended). The financial statements comprise

- the statement of income and expenditure and retained revenue reserves
- the statement of financial position
- the statement of cash flows and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Fund at 31 December 2017 and of its income and expenditure for 2017 in accordance with Financial Reporting Standard (FRS) 102 — The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Health Insurance Authority and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Health Insurance Authority has presented certain other information together with the financial statements of the Fund. This comprises the annual report including the financial statements of the Authority, the governance statement and Authority members' report and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.



Seamus McCarthy

Comptroller and Auditor General

15 June 2018

Appendix to the Report of the Comptroller and Auditor General

Responsibilities of the Health Insurance Authority

The statement of responsibilities sets out the Authority members' responsibilities. The Authority members are responsible for

- the preparation of financial statements in the form prescribed under section 11 D (8) of the Act
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 11 D (9) of the Act to audit the financial statements of the Fund and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial

statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

The Risk Equalisation Fund

Statement of Responsibilities

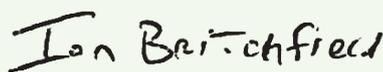
Section 11D(8) of the Health Insurance Act of 1994 (as amended) (the 'Act') requires the Health Insurance Authority (the "Authority") to prepare financial statements in respect of the Risk Equalisation Fund (the "Fund"). In preparing those financial statements, the Authority is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reason for any material departure from those standards; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The Authority is responsible for keeping adequate accounting records which correctly explain and record the transactions of the Fund, enable at any time the assets, liabilities and financial position of the Fund to be determined with reasonable accuracy and enable it to ensure that the financial statements comply with Section 11D(8) of the Act. The Authority is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Sheelagh Malin
Chairperson



Ian Britchfield
Member

8th June, 2018
Date

The Risk Equalisation Fund

Statement of Income and Expenditure and Retained Revenue Reserves for the year ended 31 December 2017

	Notes	12 months ended 31 December, 2017 €'000	12 months ended 31 December, 2016 €'000
Income			
Stamp Duty	2	672,950	641,278
Expenditure			
Risk equalisation premium credit	3	556,214	511,728
Hospital utilisation credit	4	112,120	107,691
Staff and other costs	5	220	235
Total Expenditure		668,554	619,654
Excess of income over expenditure		4,396	21,624
Investment Income		-	-
Surplus for the year		4,396	21,624
Retained Revenue Reserves at beginning of year		40,532	18,908
Retained Revenue Reserves at end of year		44,928	40,532



Sheelagh Malin
Chairperson



Ian Britchfield
Member

8th June, 2018
Date

Notes 1 to 11 form part of these Financial Statements

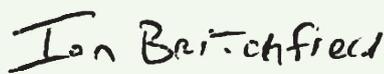
The Risk Equalisation Fund

Statement of Financial Position at 31 December 2017

	Notes	2017 €'000	2016 €'000
Current Assets			
Short term deposits		261,780	60,000
Cash and cash equivalents		229	188,628
Prepayments and other debtors	6	216,834	185,489
		478,843	434,117
Creditors (amounts falling due within one year)			
Creditors and accruals	7	(391,345)	(346,277)
Hospital Utilisation Credit Provision	8	(42,570)	(47,308)
		(433,915)	(393,585)
Net Assets		44,928	40,532
Representing			
Retained Revenue Reserves		44,928	40,532



Sheelagh Malin
Chairperson



Ian Britchfield
Member

8th June, 2018
Date

Notes 1 to 11 form part of these Financial Statements.

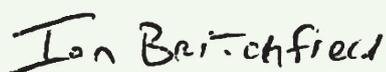
The Risk Equalisation Fund

Statement of Cash Flows for the year ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Reconciliation of excess of income over expenditure to net cash inflow from operating activities			
Operating excess of income over expenditure for year		4,396	21,624
Increase in debtors	6	(31,345)	(9,814)
Increase in creditors	7 & 8	40,330	8,824
Net cash inflow from operating activities		13,381	20,634
Cash inflow from investing activities			
Bank interest received		-	-
Net cash inflow from investing activities		-	-
Increase in cash and cash equivalents		13,381	20,634
Cash and cash equivalents at 1 January		248,628	227,994
Cash and cash equivalents at 31 December		262,009	248,628
Increase in cash and cash equivalents		13,381	20,634



Sheelagh Malin
Chairperson



Ian Britchfield
Member

8th June, 2018
Date

Notes 1 to 11 form part of these Financial Statements

The Risk Equalisation Fund

Notes (forming part of the financial statements)

1. Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Basis of Preparation

The financial statements have been prepared in compliance with Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102"). The financial statements have been prepared on the accruals basis of accounting in accordance with generally accepted accounting principles and under the historical cost convention.

The financial statements of the Fund are presented in Euro ("€'000") which is also the functional currency of the Fund.

General Information

The Health Insurance Act 1994, as amended by the Health Insurance (Amendment) Act 2012, provided for risk equalisation whereby registered undertakings receive credits in relation to certain classes of insured persons so that they do not collect a premium payable in respect of provision of health insurance to the individual. The 2012 Act also provided for the establishment of the Risk Equalisation Fund.

The Authority is responsible for the establishment, administration and maintenance of the Risk Equalisation Fund. The Members of the Authority are responsible for the production and approval of financial statements for the Fund. The Authority is responsible for the authorisation and approval of all Fund transactions. Details of the Authority's governance and control systems and procedures are set out in the Statement on Internal Control and Governance Statement disclosed in the Authority's financial statements.

The Act provided that all stamp duty paid by virtue of Section 125A of the Stamp Duties Consolidation Act 1999 in respect of health insurance contracts commencing on or after 1 January 2013 be paid into the Fund.

Payments out of the Fund include:

- Risk equalisation premium credit – the level of risk that a particular consumer poses to a registered undertaking does not affect the premium paid. All insured individuals are 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, discounts for members in group schemes, young adults and lifetime community rating loadings. The Risk Equalisation Fund provides that registered undertakings receive higher premiums in respect of insuring older, and generally less healthy people, with the higher amount paid by way of a risk equalisation premium credit from the Fund. The level of risk equalisation credits payable from the Fund in respect of premiums vary on the basis of age, gender and level of cover.
- Hospital utilisation credit – a specified amount is payable from the Fund for each stay an insured person spends in private hospital accommodation or in a publicly funded hospital where a charge is payable under Section 55 of the Health Insurance Act 1970 for such a stay.

Accounting Period

The financial statements are for the year from 1 January 2017 to 31 December 2017.

Income

Stamp Duty income is recognised in the financial statements over the term of the relevant insurance contract, assumed to be twelve months in all cases. Stamp duty on policies commencing on or after 1 January 2013 is paid by registered undertakings to the Revenue Commissioners on a quarterly basis. The stamp duty is then paid into the Fund. The receipts of the Fund in the financial year are adjusted to take account of:

- Accrued stamp duty which represents outstanding stamp duty due to the Fund at the year end and represent amounts payable by registered undertakings in relation to the last quarter of the financial year. This amount due is recorded as a debtor to the Fund.
- Un-earned stamp duty represents the estimated proportion of stamp duty paid into the Fund during the financial year and accrued at year end which relates to the unexpired term of the relevant insurance contracts at the reporting date. This amount is recorded as un-earned stamp duty at the reporting date (**see Note 7** – Creditors and accruals).

Expenditure Recognition

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

Risk Equalisation Premium Credit

Risk equalisation premium credit is accounted for on an accruals basis. Registered undertakings claim risk equalisation premium credit from the Fund on a monthly basis. In determining the amount to be recognised as an expense in the financial year, the payments made from the Fund are adjusted to take account of:

- Amounts claimed and payable to registered undertakings which have not been paid at the reporting date.
- Un-expensed risk equalisation premium credit – a majority of individuals pay insurance policies either by monthly instalments or annually in advance. Credits claimed in relation to monthly instalments are expensed in the month to which the claim relates. Credits claimed for policies paid annually in advance are expensed uniformly over the twelve months of the contract. At the reporting date any amounts paid to registered undertakings which have not been expensed are recognised as a debtor (**See Note 3**).

Critical Accounting Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The following judgements have had the most significant effect on the amounts recognised in the financial statements.

The level of reserves in respect of future claims included in the financial statements should at least be as strong as a best estimate and should at all times be sufficient to cover any liabilities arising in respect of hospital episodes yet to be claimed as far as can reasonably be foreseen. The hospital utilisation credit provision is calculated based on independent actuarial advice using a number of generally accepted actuarial techniques to arrive at the central estimate and a range of reasonable estimates. The provision recorded in the financial statements is at least as strong as a best estimate derived using generally accepted actuarial methods.

Hospital Utilisation Credit

The hospital utilisation credit is accounted for on an accruals basis. In determining the amount to be recognised as an expense in the financial year, the payments made from the Fund are adjusted to take account of:

- Amounts claimed by and payable to registered undertakings which have not been paid at the reporting date.
- A provision for hospital utilisation credit arising in respect of hospital episodes which had occurred in the financial year but had not been claimed by registered undertakings at year end. The provision assumes that the number of nights and days in private hospital accommodation is uniform across contracts commencing on different dates and that hospitalisation occurs uniformly throughout the policy period. The settlement period for hospital claims can vary considerably. This may result in registered undertakings making a claim for a hospital utilisation credit a year or more after a hospital episode.
- An adjustment in respect of any under or over provision for unclaimed credits in respect of prior financial years that remains outstanding at the reporting date.

2. Income

Stamp duty payments for policies commencing or renewing on or after 1 January 2013 are paid by registered undertakings to the Revenue Commissioners who in turn transfer the money to the Risk Equalisation Fund.

	2017 €'000	2016 €'000
Stamp duty paid into the Fund	683,756	641,635
Stamp duty receivable movement in year	23,127	7,394
Un-earned stamp duty movement in year	(33,933)	(7,751)
	672,950	641,278

3. Risk equalisation premium credit

	2017 €'000	2016 €'000
Payments made to registered undertakings	553,231	511,786
Risk equalisation premium credit payable to registered undertakings movement in year	11,201	2,361
Un-expensed risk equalisation premium credit movement in year	(8,218)	(2,419)
	556,214	511,728

4. Hospital utilisation credit

	2017 €'000	2016 €'000
Payments made to registered undertakings	117,143	109,043
Hospital utilisation credit payable to registered undertakings movement in year	(285)	(660)
Hospital utilisation credit provision movement in year	(4,738)	(692)
	112,120	107,691

5. Staff and other costs

	2017 €'000	2016 €'000
Health Insurance Authority recharged costs:		
Salaries and staff costs	140	137
Training costs	5	3
Directors Fees	3	3
Rent, service charge and maintenance	16	19
Insurance	3	3
Computer and stationery	3	6
Other administration costs	10	7
Depreciation	6	7
	186	185
Costs directly charged to the Fund:		
Consultancy	-	1
Audit	8	9
Accountancy	5	38
Actuarial	18	-
Insurance	2	2
	33	50
Costs directly incurred by the Fund:		
Bank Charges	1	-
	220	135

The cost included in the Statement of Income and Expenditure and Retained Revenue Reserves for the year 2017 is prepared using the accruals basis of accounting.

6. Prepayments and other debtors

	2017 €'000	2016 €'000
Un-expensed risk equalisation premium credit	59,121	50,903
Accrued stamp duty receivable	157,713	134,586
	216,834	185,489

7. Creditors and accruals

	2017 €'000	2016 €'000
Stamp duty un-earned	279,239	245,306
Risk equalisation premium credit payable	93,213	82,012
Hospital utilisation credit payable	18,438	18,723
Health Insurance Authority	455	236
	391,345	346,277

8. Hospital Utilisation Credit Provision

	2017 €'000	2016 €'000
At start of year	47,308	48,000
Arising during the year	112,120	107,691
Utilised during the year	(116,858)	(108,383)
At end of year	42,570	47,308

9. Financial Position of the Risk Equalisation Fund

As per the Statement of Income and Expenditure and Retained Revenue Reserves, the retained reserves were €44.9m (2016: €40.5m). Any surplus or deficit arising in respect of past and current contract periods is taken into account when making recommendations to the Minister on risk equalisation credits and stamp duty.

At 31 December 2017, the Risk Equalisation Fund held cash and cash equivalents of €262m (2016: €249m).

10. Disclosure of Interests

The Authority has adopted procedures in accordance with the guidelines issued by the Department of Public Expenditure and Reform in relation to the disclosure of interests by Authority Members and the Authority has adhered to these procedures. There were no transactions in the year in relation to the Fund's activities in which Authority members had an interest.

11. Approval of Financial Statements

The Financial Statements were approved by the Authority on 25 May 2018.

6 Appendices

Appendix A

Statistics Relating to the Private Health Insurance Market in Ireland, 2017

Table 1: Insured Persons^{7,8}

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	50.2%
December 2005	2,115	50.4%
December 2006	2,174	50.3%
December 2007	2,245	50.5%
December 2008	2,297	50.9%
December 2009	2,260	49.7%
December 2010	2,228	48.8%
December 2011	2,163	47.2%
December 2012	2,099	45.6%
December 2013	2,049	44.3%
December 2014	2,025	43.4%
December 2015	2,122	45.0%
December 2016	2,152	45.2%
December 2017	2,174	45.1%

⁷ All figures relate to the total private health insurance market, i.e. open enrolment and restricted undertakings

⁸ Population data is sourced from Central Statistics Office annual population estimates, which were revised for the years 2012 to 2016 in September 2017.

Table 2: Premium Income

Year	Total Income (€m)
2002	821.9
2003	978.2
2004	1,061.1
2005	1,152.7
2006	1,299.5
2007	1,477.8
2008	1,652.2
2009	1,846.7

Year	Total Income (€m)
2010	1,949.1
2011	2,061.4‡
2012	2,240.7‡
2013	2,388.5‡
2014	2,444.9‡
2015	2,462.4‡
2016	2,528.0‡
2017	2,655.0‡

‡ includes HSF from 2011 when they were first registered with the Authority

Table 3: Market Shares+

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

December	Irish Life Health*†	Laya Healthcare**	Vhi Healthcare	GloHealth†	Restricted Membership Undertakings***
	%	%	%	%	%
2001	–	13%	82%	–	5%
2002	–	15%	80%	–	5%
2003	–	17%	78%	–	5%
2004	–	19%	76%	–	5%
2005	1%	21%	74%	–	4%
2006	3%	21%	72%	–	4%
2007	5%	21%	70%	–	4%
2008	8%	22%	67%	–	4%
2009	10%	23%	63%	–	4%
2010	14%	21%	62%	–	4%
2011	18%	21%	57%	–	4%
2012	17%	22%	56%	1%	4%
2013	15%	23%	54%	4%	4%
2014	15%	23%	53%	5%	4%
2015	14%	26%	51%	5%	4%
2016	14%	26%	50%	6%	4%
2017	20%	26%	50%	–	4%

+ Numbers insured with in-patient cover

* In respect of 2015 and earlier years the data relates to Aviva Health. Before 2008, it was VIVAS Health.

** In respect of 2012, the data is a sum of the market shares of Quinn Insurance Ltd (Under Administration) and Elips Insurance Ltd. Previous years relate to Quinn Healthcare or BUPA Ireland (2006 and earlier).

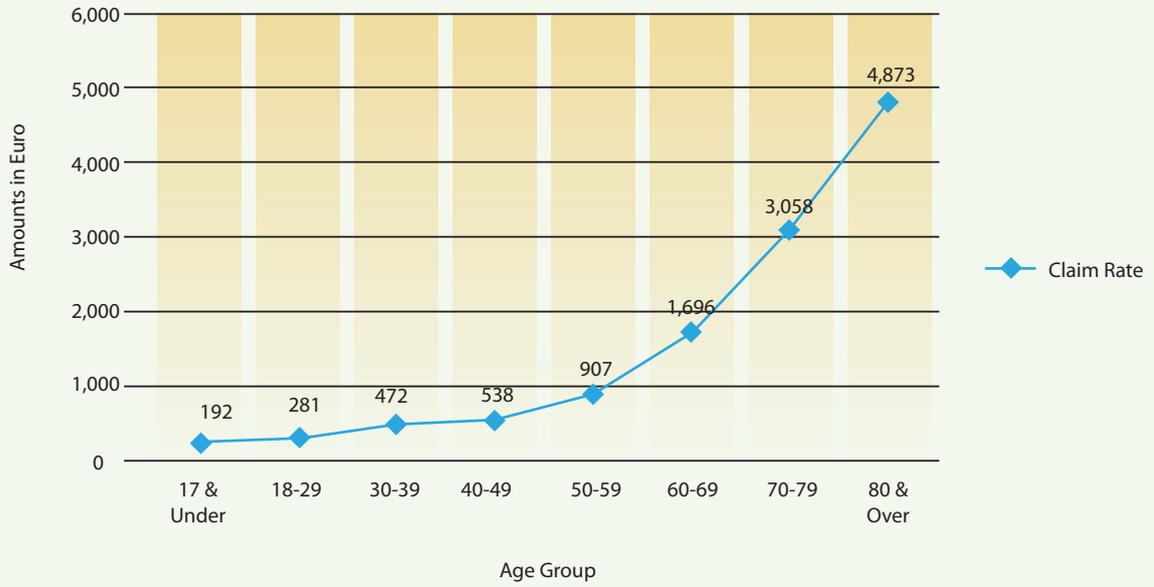
*** These mainly consist of the Garda, ESB and Prison Officer Schemes.

*† Irish Life Health acquired GloHealth in 2017. Aviva Health was acquired by Irish Life in 2016.

Appendix B

Claim variation by age

Claims included in Returns per Insured Person in 2017



Appendix C

Age Structure of Market

The following table shows how the age structure of the market has changed since the end of 2014. The tables in this section are based on information returns received from Open Membership Undertakings. The data in these returns differs from data included in earlier tables in that it excludes people who are serving initial waiting periods, people who are insured with Restricted Membership Undertakings and people who are insured with products that are not subject to the health insurance stamp duty and the age related health credits.

Numbers insured in 000s				
Age Group	2014	2015	2016	2017
0-17	454	475	481	481
18-29	203	210	217	221
30-39	281	297	292	285
40-49	293	322	326	328
50-59	261	276	284	286
60-69	217	224	232	236
70-79	125	132	141	149
80+	52	55	60	63

The following table shows how market shares varied with age at the end of 2017. The table below refers to Open Membership Undertakings only and excludes the Restricted Membership Undertakings.

Age Group	Irish Life Health	Laya Healthcare	Vhi Healthcare
	%	%	%
0-49	22%	29%	49%
50-59	20%	27%	53%
60-69	19%	29%	53%
70-79	12%	24%	64%
80+	8%	13%	79%
Total	20%	28%	52%

Appendix D

The Register of Health Benefits Undertakings as at 31 December 2017

Open Membership Undertakings

1. Irish Life Health DAC (trading as Irish Life Health);
2. Elips Versicherungen AG (Elips Insurances Ltd.) (trading as Laya Healthcare);
3. H.S.F. Health Plan Limited (trading as Hospital Saturday Fund);
4. Vhi Insurance DAC (trading as Vhi Healthcare); and
5. The Voluntary Health Insurance Board.

Restricted Membership Undertakings

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

Appendix E

Risk Equalisation Rates

Rates Applying for Contracts Commencing/Renewing from 1 March 2016 to 31 March 2017

Risk Equalisation Premium Credits

Contract Type	Non-Advanced		Advanced	
	Male	Female	Male	Female
65-69	€575	€375	€1,125	€800
70-74	€900	€675	€1,800	€1,300
75-79	€1,175	€850	€2,550	€1,900
80-84	€1,550	€1,100	€3,375	€2,375
85 and above	€1,775	€1,250	€4,150	€2,775

A hospital utilisation credit of €90 is paid in respect of each qualifying night spent in hospital by an insured person. A hospital utilisation credit of €30 is paid in respect of each qualifying day admission to a hospital by an insured person.

Community Rating Stamp Duties

Community Rating Stamp Duties (Contract Type)	Non-Advanced	Advanced
Adult (18 and over)	€202	€403
Child (17 and under)	€67	€134

Rates Applying for Contracts Commencing/Renewing from 1 April 2017 to 31 March 2018

Risk Equalisation Premium Credits

Contract Type	Non-Advanced		Advanced	
	Male	Female	Male	Female
65-69	€850	€525	€1,175	€675
70-74	€1,250	€1,075	€1,950	€1,500
75-79	€1,750	€1,425	€2,750	€2,125
80-84	€2,375	€1,925	€3,750	€2,925
85 and above	€2,975	€2,375	€4,875	€3,700

A hospital utilisation credit of €90 is paid in respect of each qualifying night spent in hospital by an insured person. A hospital utilisation credit of €30 is paid in respect of each qualifying day admission to a hospital by an insured person.

Community Rating Stamp Duties

Community Rating Stamp Duties (Contract Type)	Non-Advanced	Advanced
Adult (18 and over)	€222	€444
Child (17 and under)	€74	€148

Rates Applying for Contracts Commencing/Renewing from 1 April 2018 onwards

Risk Equalisation Premium Credits

Contract Type	Non-Advanced		Advanced	
	Male	Female	Male	Female
65-69	€400	€300	€1,000	€650
70-74	€725	€550	€1,750	€1,250
75-79	€1,075	€850	€2,550	€1,925
80-84	€1,450	€1,150	€3,450	€2,700
85+	€2,175	€1,450	€4,975	€3,350

A hospital bed utilisation credit of €100 is paid in respect of each qualifying night spent in hospital by an insured person. A hospital utilisation credit of €50 is paid in respect of each qualifying day admission to a hospital by an insured person.

Community Rating Stamp Duties

Community Rating Stamp Duties (Contract Type)	Non-Advanced	Advanced
Adult	€240	€399
Child	€80	€135

Appendix F

Lifetime Community Rating Statistics

Number of lives paying lifetime Community Rating loadings in 2017 was 26,000.

Total Lifetime Community Rating loadings paid in 2017 was €4.5 million compared to €2.4 million in 2016.