



An tÚdarás Árachas Sláinte
The Health Insurance Authority

2018 Annual Report & Accounts

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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 2018. 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.

The market has been relatively stable over the course of the year, as measured by the number of insurers and products available, the numbers insured, and average premium and claims inflation. The market as a whole continues to age as a result of population demographics and market penetration rates that vary by age. Insurers have remained pro-active in adjusting individual product benefits and prices and adding new services and features so that the complexity of the market for consumers remains high.

In recognition of this, the Authority continued to provide a consumer information service throughout the year and expanded its public information campaign. Through its advertising, the Authority sought to inform consumers of health insurance about choice within the market and the potential savings available from shopping around before they renew their policies, using various media including TV, press, radio and social media. The Authority continued to assist consumers in accessing the most appropriate policy for them at the most competitive premium rate through the Authority's website, the dedicated consumer helpline and through direct contact with Authority staff.

The Authority's comparison tool is of fundamental importance in enabling consumers to compare all the available products in the market, tailoring the search to meet their requirements. A major review of the Authority's website, focusing on functionality and customer experience was carried out in 2017, resulting in a redevelopment of the Authority's comparison tool during 2018. The redevelopment streamlined the comparison process, helping consumers better identify the most appropriate and economical health insurance product for their own specific requirements. The Authority intends to continue investing significant financial resources in delivering on its communication strategy.

The Authority is responsible for the administration and maintenance of the Risk Equalisation Scheme, an essential support to community rating, and the 2018 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.

In September 2018, the Authority published 'The Irish Healthcare System - An Historical and Comparative Review'. The paper is comprised of two parts: an historical overview of the Irish healthcare system, and an international benchmarking comparison of the current Irish healthcare system against the corresponding health systems in other developed countries - Australia, Belgium, Germany, and the United Kingdom.

The Authority also commissions major consumer research on the health insurance market every two years and intends to proactively broaden its research remit as part of its recently published Strategy for 2019-2021.

I am pleased to recognise the work and dedication of the Members of the Authority during 2018, noting the cumulative contribution of those whose appointment term ends in 2019. This, combined with legislative provision for an increase in the number of Members from five to seven, means that a number of new appointments to the Authority are imminent. I look forward to working with this expanded Authority membership.

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 2018.



Sheelagh Malin
Chairperson

30 June, 2019

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.



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. Sean Coyle – Resigned 31 August, 2018

Mr. James A. McNamara – Term of Office completed 25 January, 2019

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.



Ms. Maeve Kearns
Head of Corporate Affairs/Secretary to the Authority

Ms Kearns holds a Bachelor of Commerce degree from NUIG and is a Fellow of Chartered Accountants Ireland. Prior to joining the Authority, Ms Kearns held roles in Internal Audit and Finance within other public bodies as well as management roles within the financial services industry.



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
Head of Finance

Ms. Nolan 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 in Deloitte. Ms. Nolan also serves as an Independent Non-Executive Director of a registered charity.



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;

¹ The 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 2018

The Health Insurance (Amendment) Act 2018 was enacted in December 2018. It amended the Health Insurance Act 1994 as follows:

- To specify the amount of premiums to be paid from the Risk Equalisation Fund in respect of certain classes of insured persons from 1 April 2019
- Increase the maximum number of members of the HIA Board from five to seven and increase the quorum from three to four;
- Amend Vhi Healthcare's current function to permit a new function to act as an insurer in addition to an agent in respect of the provision of health insurance cover pursuant to an international healthcare plan;
- 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. Chubb European Group Limited did not accept this determination and the Authority consequently served an Enforcement Notice on it in March 2017.

Chubb European Group Limited issued two sets of proceedings on 4 May 2017 in the High Court in relation to the Enforcement Notice. They sought an Order to quash the Enforcement Notice and also an Order to quash the Authority's determination of the term "ordinarily resident in the State" in respect of non-EEA students.

Justice Tara Burns delivered judgment in both the statutory appeal and the judicial review proceedings on 22nd October 2018. In both cases she rejected the arguments made by Chubb and refused to grant the reliefs that Chubb

sought. She agreed with the Authority's interpretation and determination that "ordinarily resident in the State" in respect of non-European Economic Area students meant attending a course of study of more than one academic year's duration.

Chubb requested leave to appeal the verdict of the High Court at a sitting of the High Court on December 18th 2018. The HIA did not object to the Chubb application for leave to appeal but argued that the leave to appeal only be granted in respect of questions of law identified in the Order granting leave to appeal.

The HIA expressed concern that these ongoing proceedings caused considerable uncertainty in the health insurance market and had the potential to confer a significant unfair advantage on Chubb over other market participants. It also requested the expediting of the hearing of the appeal. Judge Burns reserved judgment until 11 January 2019.

On 11 January 2019 Judge Burns granted Chubb leave to appeal all questions of law in the High Court verdict to the Court of Appeal. There is currently a backlog of cases to be heard by the Court of Appeal. As a result, this appeal is not likely to be heard until 2020.

Lifetime Community Rating was introduced into the Irish private health insurance market on 1 May 2015. Following a request from the Minister for Health, a review of Lifetime Community Rating was carried out by the Authority in 2017. Following on from the review, there were a number of amendments made in June 2018 to the legislation governing Lifetime Community Rating introduced in Statutory Instrument Number 224 of 2018. The main changes were as follows:

- Credit is given to members of the Permanent Defence Forces and Joint Sickness Insurance Scheme of the European Union for their periods of membership provided the person becomes an insured person on, or after, 1 September 2018 and within nine months of ending their membership.
- Credit is given to people who lived within the State on 1 May 2015 and subsequently moved to live outside Ireland on or after 1 November 2018 for their time living outside Ireland, provided they purchase inpatient private health insurance within nine months of returning to Ireland.
- Credit is given to people who have cancelled their insurance for six months or more, having previously been insured for at least three years. They will be credited for any periods of non-cover which begin on or after 1 February 2019. The credited period is limited to three years.

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 of 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 2018.

On 1 January 2019 there were 31 types of health insurance contracts specified as being Non-Advanced by the Authority, compared to 31 on 1 January 2018. Each of the Open Membership Undertakings has at least one type of Non-Advanced contract. On 1 January 2019 there were 302 Advanced types of health insurance contracts, compared to 297 on 1 January 2018.

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 not to reduce 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 which 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 2018

The rates of the risk equalisation credits and the community rating levy that applied to contracts commencing and renewing in 2018 are set out in Appendix E.

For contracts written from 1 April 2017 to 31 March 2018, the risk equalisation credits were set so that the projected market average claim 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 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 from 1 April 2018 to 31 March 2019 the risk equalisation credits were set so that the projected market average 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 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.

Risk Equalisation Rates Applying from 1 April 2019

During 2018, the Authority received information returns for the second half of 2017 and for the first half of 2018 from each of the Open Membership Undertakings. Reports on the evaluations and analyses of these returns were submitted to the Minister in April and September 2018. The September 2018 Report included the Authority's recommendations on the amounts of the Risk Equalisation Credits and Community Rating Levies, for policies commencing from 1 April 2019.

The rates applying from 1 April 2019 were given effect in the Health Insurance (Amendment) Act 2018 and are set out in Appendix E. These credits were set so that the projected market average 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.

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 offered for a period of 12 months unless there is good and sufficient reason for a different term.

Insurers submitted 1,149 samples of new/revised contracts to the Authority in 2018, a similar number of notifications as in 2017.

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.

An onsite inspection of Lifetime Community Rating (LCR) was carried out by the Authority in July-August 2018. The on-site element of the inspection involved holding discussions with relevant staff and performing a walkthrough of key LCR controls and relevant procedures, and selecting a sample to test the design and implementation of the controls. The inspection found that the insurers have adequate systems, procedures and controls in place in respect of LCR. The Authority is satisfied that insurers have designed their procedures and systems to ensure that loadings are calculated correctly.

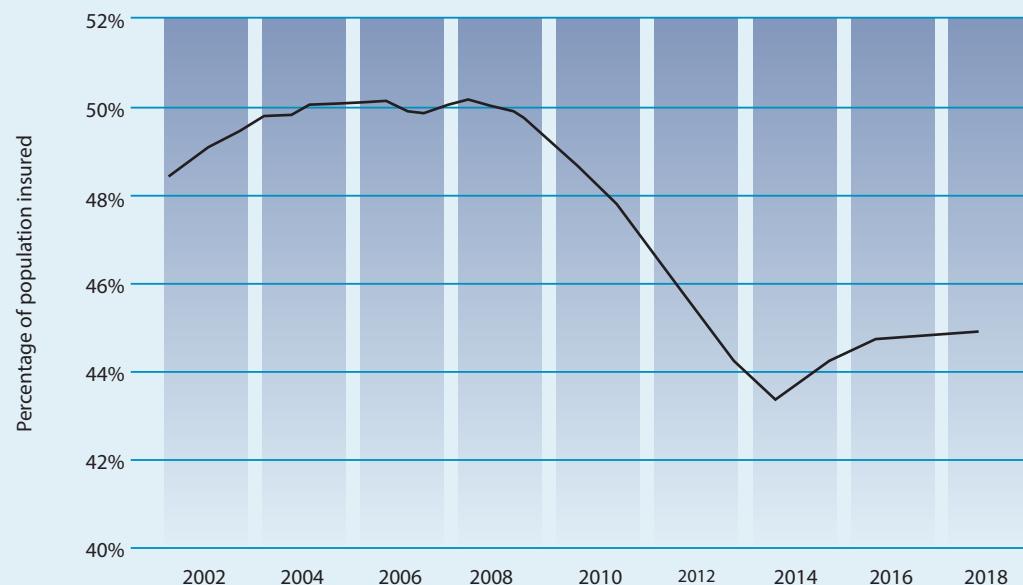
3.2 Research and Advice

3.2.1 Monitoring the Health Insurance Market

Size of the Market

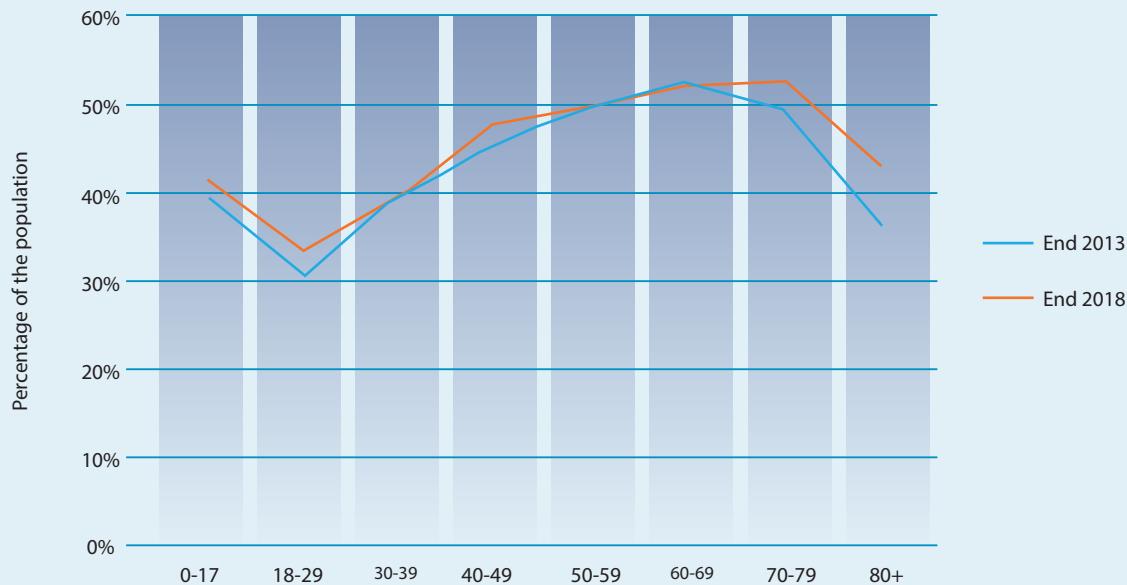
The health insurance market is the largest non-life insurance market in Ireland. Premium income in 2018 was €2.85bn compared to €2.66bn in 2017. Of the total, €152m was accounted for by Restricted Membership Undertakings. Premiums per person fell by an average of 0.8% in 2018 (+3.7% in 2017).

The number insured at the end of 2018 in the health insurance market was 2.22m (including children), which represented 45% of the population. Numbers insured in December 2018 were 2.1% higher than 12 months previously, with demand rising against the background of a growing economy (See Appendix A, Table 1). Numbers insured have been rising since late 2014 following the deep recession in the 2009 to 2012 period. The peak in numbers insured was 2.3m at the end of 2008 (51% of population). The population has been increasing by approximately 1% per annum since early 2015.



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 0.6% per annum since 2009 and was 22% at end 2018. 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.

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 2018, 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 2018, 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 has been reducing in recent years. For instance, at the end of 2018, Vhi Healthcare insured 62% of those aged 70-79 with insurance, compared to 72% at the end of 2014.

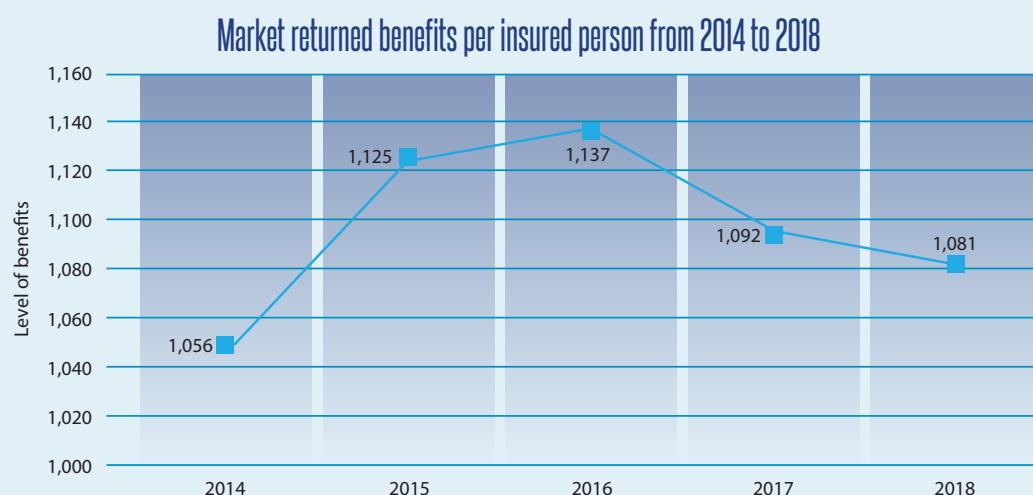
Cost of Health Insurance and Healthcare Claims Costs

The average amount paid for a health insurance premium for in-patient cover in 2018 was €1,210, compared to €1,220 in 2017 and €1,177 in 2016. These figures are based on gross premium levels but child premiums and young adult discounts have a lowering effect on the average figure³.

Claims paid to public hospitals rose in 2018 after falling in 2017. The fall in 2017 facilitated a period of average price reductions in late 2017 and early 2018. The trend of price reductions had ceased by the end of 2018. The average of the claims paid per insured person increased by 3% in 2018, following a 1% decrease in 2017.

For the last five 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 0.2% in 2018 and 1.3% in 2017.

The following chart shows how the rate of claims paid per insured person has changed between 2014 and 2018 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".)



Private Patient Charges in 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, a significant change was that a person who 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 (€407 for a day case and €1,000 for a single room per night). 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 have now fallen in the last two years although claims paid remain much higher than before the new charging regime was introduced.

Product Developments

There were 333 health insurance products with in-patient benefits being marketed at the end of 2018, compared to 328 at end of 2017. Features of the market include:

- 9% of in force health insurance contracts at end 2018 were subject to the lower Non-Advanced rate of stamp duty, compared to 10% at end 2017.

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

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.

- 8.4% of the insured population had policies that did not cover all public hospitals at the end of 2018 (8.2% at end 2017).
- There is some segmentation in the market. Excluding restricted membership undertakings, Vhi insures 52% of the market by lives but 62% of the 70-79 age cohort and 78% of those aged 80 and over.
- Excluding restricted membership undertakings, Vhi's market share of premium income is 56%, compared to 63% of claims paid, including restricted undertakings. 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 30% higher (33% higher in 2017) 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 2018. On average, older consumers desire a better level of hospital coverage compared to younger consumers and also may be more 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>.

In the survey, satisfaction with health insurance companies was 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 10% 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 September 2018, the Authority published 'The Irish Healthcare System'; a historical and comparative review of the Irish healthcare system. It is an independent research paper commissioned by the Authority and is available on the Authority's website (<https://www.hia.ie/publication/other-publications>). The paper is comprised of two parts. Part 1 provides a historical overview of the Irish healthcare system from 1718 to the present day - covering social, religious, political and economic influences that impacted the evolution of healthcare in Ireland. Part 2 provides an international benchmarking comparison of the current Irish healthcare system against the corresponding health systems in other developed countries - Australia, Belgium, Germany, and the United Kingdom. This comparative benchmarking details how Ireland might be able to learn from some of the successes, or failures, from other healthcare systems.

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.

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.

The Authority made a submission to the de Buitléir Independent Review Group which has now reported to the Minister for Health on the issue of "Removing private practice from public hospitals", which is one of the major policy initiatives in Sláintecare⁴. The submission is now available on the Authority's website (<https://www.hia.ie/publication/other-publications>).

⁴ "Sláintecare is about delivering a health and social care service that meets the needs of our population and attracts and retains the very best healthcare professionals, managers and staff. Over a ten-year period, we will deliver a universal health service that offers the right care, in the right place, at the right time, with a priority focus on developing primary and community services within a national policy context." (Department of Health, Sláintecare Action Plan 2019)

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 2018 the volume of queries and complaints received by the Authority was 4940 contacts (2017: 6291). Topics that were most frequently raised with the Authority were:

- Requests for comparisons between health insurance products;
- Requests for the Authority's information publications;
- Lifetime Community Rating;
- Queries relating to waiting periods;
- Queries regarding health insurance products and plan cover;
- Rights in relation to switching insurers;
- Cancellation policies of insurers;
- The cost of private health insurance; and
- Service standards of insurers;

During 2018, 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

The son of a consumer contacted the Authority to advise that the consumer was in a nursing home and it was not feasible for her to provide the authorisation required by the insurer for her son to act on her behalf. The son called into the insurer's office with a solicitor's letter confirming his authorisation to deal with the consumer's affairs, but was informed that the insurer would only accept a Power of Attorney.

The Authority contacted the consumer's insurer to query their procedures. The insurer acknowledged that a mistake had been made when speaking to the complainant. The insurer confirmed that the documents brought to the office should have been sufficient for the son to act on his mother's behalf.

The insurer undertook to retrain staff in dealing with these sensitive cases.

Case Study 2

A consumer contacted the Authority to query the application of waiting periods following a break in cover. The consumer had cancelled her plan at renewal in 2015. After a break in cover of exactly thirteen weeks, she wished to re-join her insurer after reviewing her options. The insurer treated the consumer as a new customer with waiting periods as a result of the break in cover.

The Authority contacted the health insurer to query the insurer's interpretation, as the consumer's break in cover was not more than thirteen weeks. The insurer acknowledged their mistake and that new consumer waiting periods should not apply.

The insurer undertook to retrain the agent in question, clarify the waiting period regulations to staff and offered an apology to the consumer.

3.3.2 Website

The Health Insurance Authority's website (www.hia.ie) is the authoritative source of independent information on health insurance issues. The Authority maintains the 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. 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 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. In April 2019 the upgraded comparison tool was launched. This tool now allows the consumers to compare plans based on price, cover, excess and a range of benefits. Consumers can now compare up to four plans at any one stage.

The tool can also filter by; hospital type, accommodation, cover, price along with excesses. Up to four plans can be compared simultaneously. The consumer can also browse on multiple devices including phone, laptop or desktop. The website received over 529,000 visits in 2018.

3.3.3 Advertising

The Authority launched its annual renewals campaign over print, radio, TV and digital advertising in December 2018 to encourage policy holders to actively review their current health insurance before renewing. As many policies are due for renewal around year end, the HIA recommended holders review their current plan and level of cover by using the HIA website - www.hia.ie - as comparison may show they can maintain current health cover at a lower cost; or find a more suitable, cost effective plan. The campaign highlighted the importance of reviewing cover to obtain more suitable options before proceeding with renewal.

As a result of a decrease in adults aged 25-34 holding private health insurance from 21% in 2007 to 12% in 2017, the Authority launched a "Call to Action" campaign aimed at consumers under 35, to educate them about the private health insurance market and to highlight the information available to them on the Authority's website. The campaign highlighted the importance of having the correct information before making a decision on health insurance.

3.3.4 Social Media

The Authority has continued to drive a social media presence during 2018. We have also increased our social media output through scheduled, consistent posting of content. This is done on a daily basis with posts strategically timed for the morning commuters. The posts consist of information pertaining to the website and providing links back to www.hia.ie through our articles. As a result of the Authority's continued social media engagement, the Authority has seen an increase in traffic being directed to the website directly from social media.

4 Corporate Affairs

4.1 Strategy

During 2018, the Authority developed a Strategic Plan for the three-year period 2019 to 2021 setting out the Mission, Core Values, Vision, Goals, Strategic Objectives, Risks and Mitigating Actions. 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 2016 – 2018;
- Strategy workshops involving Authority Members and Management;
- Detailed SWOT analysis (Strengths, Weaknesses, Opportunities, Threats);
- Detailed PESTLE Analysis (Political, Economic, Social, Technological, Legal, Environmental);
- Identification of key considerations and influencing factors for both the market and the Authority over the next 3 years; and
- Preparation of the Strategic Plan.

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 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:

"We regulate the health insurance market under the Health Insurance Acts. In doing so we collect, analyse and share market information and related research, ensuring compliance with the Acts and enabling the health insurance market to work effectively for the benefit of consumers, providers, policy makers and other stakeholders."

The Core Values of the Authority

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

- 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 consumers and other stakeholders and be receptive to new ideas and suggestions from all sources;
- be proactive 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 2018.

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 2018 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 2018 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 2018 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 Code's requirements and became the Audit and Risk Committee (the "ARC").

The ARC met four times in 2018. Membership and attendance at meetings of the Audit & Risk Committee throughout 2018 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 2018 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. BDO also conducted audits on business continuity planning and managing consumer information processes. 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 2018 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	<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 loss of key personnel	<ul style="list-style-type: none"> • Availability of external service providers • Succession/Contingency Plan for the Authority and management maintained and reviewed annually. • Proactive resource planning • Maintain adequate financial reserves
Risk of HIA Superannuation scheme not being taken over by the Department of Health	<ul style="list-style-type: none"> • Continue to engage regularly with the Department of Health and the Department of Public Expenditure and Reform
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 • 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 • Increased training of staff to conduct additional functions

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 two Freedom of Information requests during 2018 and provided information in respect of eight 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 2018 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 2018, 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:

- Annual Policy Renewal Advertising Campaign
- Call to Action Advertising Campaign targeting under 35s.
- Publication of 'The Irish Healthcare System', the Authority's independent research into the Irish Healthcare system.

- Publication of the Authority's Annual Report;
- Publication of the Authority's Quarterly Newsletters;
- Publication of the Authority's independent consumer research on the private health insurance industry;
- Publication of statement in relation to the High Court's decision to uphold the HIA's Enforcement Notice against Chubb European Group plc
- 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; and
 - ◆ Anti-fraud activities in the area of PHI;
- 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.

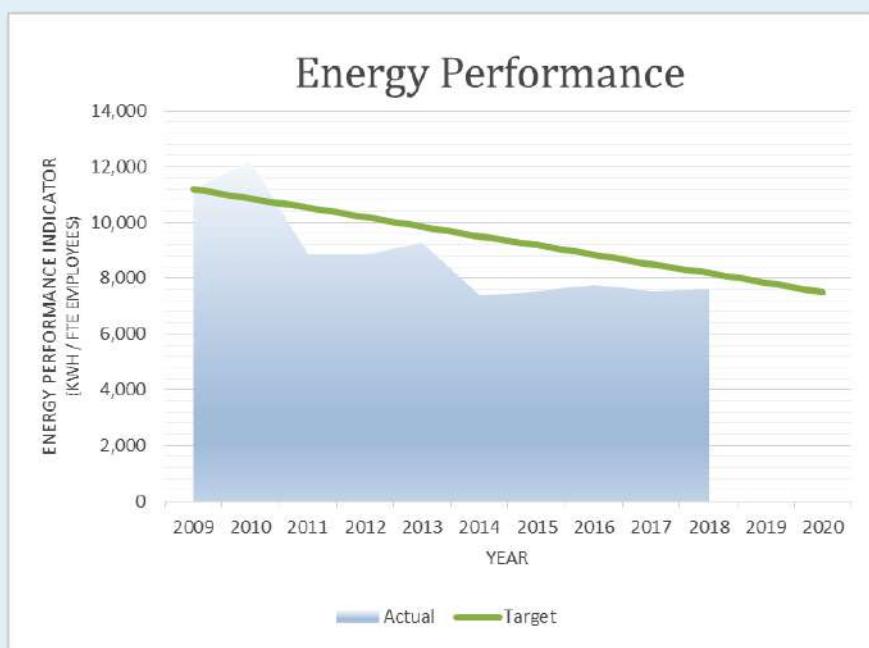
The Authority has one office which is located in Canal House. The offices are situated on one floor of a multi occupancy office building owned by the Construction Workers Pension Scheme Trustees Limited. The floor area leased does not exceed 1,000m² where a Display Energy Certificate is required.

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.

In 2018, the Authority consumed 43.9 kWh of energy, consisting of:

- 30.3kWh (2017: 29.9kWh) of electricity and
- 13.5kWh (2017: 13.8kWh) 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 2018.



Energy Efficiency Programme Actions Undertaken in 2018:

- 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 2019:

- 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 is on target to meet the goal 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 Regulations⁵ 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 2018 is set out in Appendix D.

⁵ The Health Insurance Act, 1994 (Section 17) Levy (Amendment) Regulations, 2010 (S.I. No. 539 of 2010).

5 Report and Accounts 2018

5.1 The Health Insurance Authority Report and Financial Statements for the year 1 January 2018 to 31 December 2018

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 2018.

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)
Dr Fiona Kiernan
Ian Britchfield

Chief Executive/Registrar

Don Gallagher

Secretary

Maeve Kearns

Bankers

AIB plc.
40/41 Westmoreland Street
Dublin 2

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

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

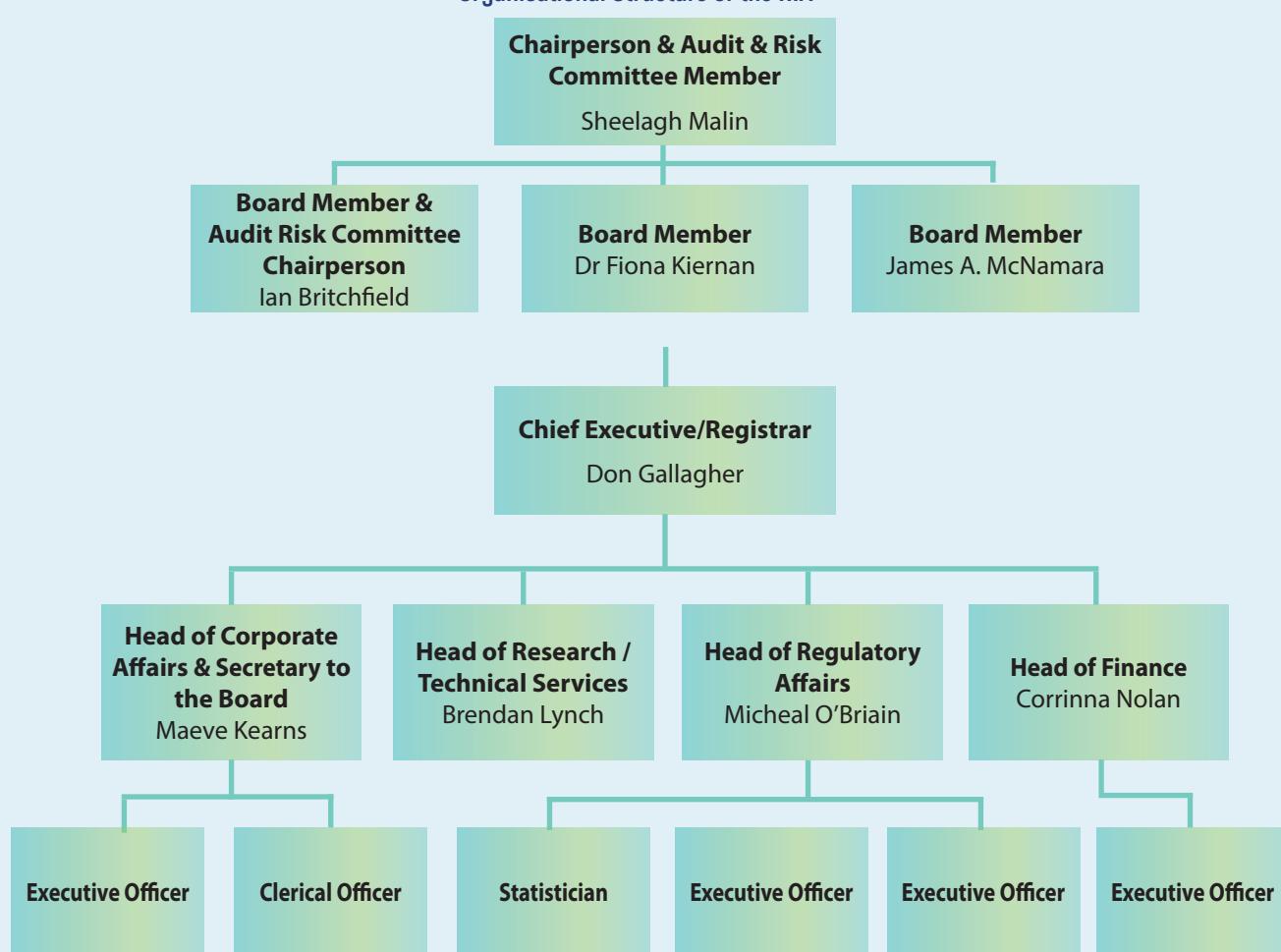
The Authority was established by Ministerial Order on 1 February 2001, under the Health Insurance Act, 1994 as amended (the "Health Insurance Acts"). Schedule 1 of the Health Insurance Acts establishes the Authority as a corporate body and the arrangements for appointing the Chairperson and Members of 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 are in line with the 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 Acts.

Organisational Structure

Organisational Structure of the HIA



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 Health Insurance Authority's 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 16 November 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 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 2018.

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 on the next page details the appointment period for current Members:

Authority Member	Role	Date Appointed
Sheelagh Malin	Chairperson	6 May 2010 Reappointed 1 February 2016
Sean Coyle	Ordinary Member	1 February 2016 Resigned 31 August 2018
Dr Fiona Kiernan	Ordinary Member	1 February 2016
James A. McNamara	Ordinary Member	1 February 2016 Term of office completed 25 January 2019
Ian Britchfield	Ordinary Member	20 June 2016

The Authority undertook an annual self-assessment evaluating its own performance in respect of 2018 in April 2019.

The Authority has established one committee, as follows:

1. Audit and Risk Committee:

Consists of at least two 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: Ian Britchfield (Chairperson) and Sheelagh Malin. There were 4 meetings of the ARC in 2018.

Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Authority and ARC meetings for 2018 is set out below including the fees and expenses received by each Member:

	Authority	Audit & Risk Committee	Fees 2018	Expenses 2018
			€	€
Number of Meetings	11	4		
Sheelagh Malin	11	4	8,978	0
Sean Coyle	6	2	3,990	0
Dr Fiona Kiernan	11		0	0
James A. McNamara	10		0	3,696
Ian Britchfield	10	4	5,985	448
			18,953	4,144

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 Authority decreased during the year owing to the resignation of Sean Coyle. Sean Coyle also resigned as Chairman of the ARC. James A. McNamara completed his term of office on 25 January 2019.

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

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

		2018	2017
		€	€
Domestic	Authority Employees	4,144	4,794
		1,042	1,181
International	Authority Employees	0	0
		0	0
Total		5,186	5,975

Hospitality Expenditure

The Income and Expenditure Account includes the following hospitality expenditure:

	2018	2017
	€	€
Staff & Authority hospitality	3,414	821
Client hospitality	564	821
Total	3,978	1,642

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, 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 Chairperson's 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

17 June, 2019
Date

Ian Britchfield
Member

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 2018 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 at least two Members of the Authority with financial and audit expertise, one of whom is the Chairperson. The ARC met four times in 2018.

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 organisation's risk appetite and this is laid out in a Risk Appetite Statement. 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 to allow staff to 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, 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 2018 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 ARC 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 2018.

Internal Control Issues

No material weaknesses in Internal Control were identified in relation to 2018.

On behalf of the Members of the Authority;



Sheelagh Malin
Chairperson

17 June 2019

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 2018 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 2018 and of its income and expenditure for 2018 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.

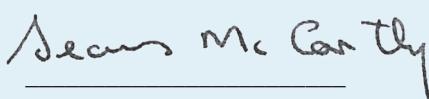
Emphasis of matter – retirement benefits

I draw attention to note 1 to the financial statements on the Authority's accounting policy for retirement benefits which outlines the uncertainty regarding the ultimate funding mechanism and accounting for the pension liability. My audit opinion is not modified in respect of this matter.

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.



Seamus McCarthy

Comptroller and Auditor General

26 June, 2019

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 2018

	Notes	12 months ended 31 December, 2018	12 months ended 31 December, 2017
		€	€
Income	2	2,501,550	2,465,017
Administration Costs	3	(2,181,538)	(1,994,096)
Excess of income over expenditure		320,012	470,921
Interest Receivable		9,592	9,342
Surplus for the year		329,604	480,263
Retained revenue reserves at beginning of year		9,117,185	8,636,922
Retained revenue reserves at end of year		9,446,789	9,117,185

Sheelagh Malin
Chairperson

Ian Britchfield
Member

17 June, 2019
Date

Notes 1 to 14 form part of these Financial Statements.

The Health Insurance Authority

Statement of Financial Position as at 31 December 2018

	<i>Notes</i>	2018 €	2017 €
Fixed assets			
Tangible assets	6	210,235	20,573
Current assets			
Cash and cash equivalents		11,275,286	10,528,183
Prepayments and other debtors	7	856,219	1,063,941
		12,131,505	11,592,124
Creditors (amounts falling due within one year)			
Creditors and accruals	8	(2,894,951)	(2,495,512)
Net current assets			
		9,236,554	9,096,612
Total assets less current liabilities			
		9,446,789	9,117,185
Net assets			
		9,446,789	9,117,185
Represented by			
Retained revenue reserves		9,446,789	9,117,185
		9,446,789	9,117,185

Sheelagh Malin
Chairperson

Ian Britchfield
Member

17 June, 2019
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 2018

	Notes	2018 €	2017 €
Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus for year			
		329,604	480,263
Depreciation	6	46,467	34,730
Decrease/(increase) in debtors	7	210,722	(729,421)
Increase in creditors	8	399,439	278,418
Net cash inflow/(outflow) from operating activities		986,232	63,990
Cashflow from investing activities			
Payments to acquire tangible fixed assets	6	(236,129)	(3,309)
		750,103	60,681
Cashflow from financing activities			
Interest earned		(9,592)	(9,341)
Interest received		6,592	9,294
Increase in cash and cash equivalents		747,103	60,634
Cash and cash equivalents at 1 January		10,528,183	10,467,549
Cash and cash equivalents at 31 December		11,275,286	10,528,183
Increase in cash and cash equivalents		747,103	60,634

Sheelagh Malin
Chairperson

Ian Britchfield
Member

17 June, 2019
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 website development 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.

	2018 €	2017 €
Income Levy	2,301,746	2,278,884
Recharged Risk Equalisation Fund costs (Note 13)	199,804	186,133
	2,501,550	2,465,017

3. Administration Costs

	2018 €	2017 €
Salaries, pension cost and other staff costs (Note 4)	932,855	858,054
Training costs	25,983	32,923
Directors' Fees (Note 4)	18,953	20,948
Rent, Service Charges and Maintenance	107,005	99,418
Consultancy (Note 5)	271,915	311,158
Insurance	20,318	18,267
Computer and Stationery Costs	28,455	23,603
Other Administration Costs	32,481	49,446
Consumer Information	687,106	537,049
Audit	10,000	8,500
Depreciation	46,467	34,730
	2,181,538	1,994,096

Administration expenses of €199,804 (2017: €186,133) in respect of the Risk Equalisation Fund are recouped from the Fund and treated as income (**see Note 13**).

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 2018 Sheelagh Malin (Chairperson) €8,978 (2017: €8,978), Sean Coyle €3,990 (2017: €5,985), Ian Britchfield €5,985 (2017: €5,985), Dr Fiona Kiernan €0 (2017: €0), James A. McNamara €0 (2017: €0). Expenses paid to individual board members for 2018 were Ian Britchfield €448 and James A. McNamara €3,696.

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

	2018 €	2017 €
Salaries	637,058	631,499
Employers contribution to social welfare	60,465	59,169
Pension Costs	231,798	167,386
Agency staff	3,534	-
Total	932,855	858,054

The total number of staff employed (WTE) at year end of 31 December 2018 was 9 (2017: 10).

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

	2018 €	2017 €
Basic pay	637,058	631,499
Overtime	0	0
Allowances	0	0
Total	637,058	631,499

(c) Key Management Personnel

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

	€	€
Salary	425,485	394,049
Allowances	0	0
Termination benefits	0	0
Health Insurance	0	0
Total	425,485	394,049

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.

(e) Chief Executive/Registrar Salary and Benefits

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

	2018 €	2017 €
Salary	100,636	92,150
Total	100,636	92,150

The CE/R received travel and subsistence for 2018 of €0 (2017: €169).

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 2018.

5. Consultancy Costs

	2018 €	2017 €
Accountancy	35,328	32,182
Actuarial Services	79,575	124,230
Legal Services	62,161	34,675
Communications	51,660	52,872
Research	-	58,096
Recruitment	3,075	-
Superannuation	1,212	1,617
Translation Services	4,504	2,486
Economic consultancy	34,400	5,000
	271,915	311,158

6. Tangible Fixed Assets

	Computer Equipment €	Office Fitting, Furniture & Equipment €	Website Development €	Office Fit Out €	Total €
Cost					
At 31 December 2017	70,986	326,620	102,325	51,383	551,314
Additions during year	3,542	1,470	231,117	-	236,129
Disposals during year	(904)	-	-	-	(904)
At 31 December 2018	73,624	328,090	333,442	51,383	786,539
Depreciation					
At 31 December 2017	61,352	325,121	101,186	43,082	530,741
Charge for year	5,624	1,863	31,154	7,826	46,467
Depreciation on disposals	(904)	-	-	-	(904)
At 31 December 2018	66,072	326,984	132,340	50,908	576,304
Net Book Value					
At 31 December 2018	7,552	1,106	201,102	475	210,235
At 31 December 2017	9,634	1,499	1,139	8,301	20,573
In respect of prior year					
Cost					
At 31 December 2016	77,192	329,590	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	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

7. Prepayments and Other Debtors

	2018 €	2017 €
Levy income receivable (Note 2)	580,627	561,525
Accrued interest	4,633	1,633
Prepayments and Other Debtors	37,039	44,292
Travel Cards	1,400	1,237
Risk Equalisation Fund	232,520	454,928
Bike to Work Scheme	-	326
	856,219	1,063,941

8. Creditors (amounts falling due within one year)

	2018 €	2017 €
Trade creditors and accruals	606,733	417,291
Pensions provision (Note 10)	2,230,767	2,042,032
Pension levy	2,427	2,617
Single Public Service Pension Scheme	2,444	472
PAYE/PRSI	18,790	28,607
Professional Services Withholding Tax	33,415	3,998
Value Added Taxation	375	495
	2,894,951	2,495,512

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. 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:

	2018 €	2017 €
within 1 year	68,000	68,000
Later than one year but within 5 years	164,333	232,333
Later than 5 years	-	-
	232,333	300,333

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 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, pension costs and other staff costs" (**Note 3**):

	2018 €	2017 €
At beginning of period	2,042,032	1,855,614
Employee Contributions	25,350	26,801
Employer Contributions	163,385	159,617
Total	2,230,767	2,042,032

In addition in 2018: €36,001 (2017: €33,664) was deducted from staff by way of pension levy and was paid over to the Department of Health.

In 2018: €7,892 (2017: €5,990) 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 2018.

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 €199,804 (2017: €186,133) in respect of the Fund were charged by the Authority for 2018 as follows:

Type of cost	Total recharged to Fund	
	2018 €	2017 €
Salary and staff costs	148,365	149,024
Rent, service charges and maintenance	17,365	16,247
Computer and stationery costs	4,661	3,857
Other administrative costs	29,019	17,005
Other consultancy costs	394	-
	199,804	186,133

14. Approval of Financial Statements

The Financial Statements were approved by the Authority on 17 June 2019.

The Risk Equalisation Fund Report and Accounts 2018

5.2 The Risk Equalisation Fund Report and Financial Statements for the year 1 January 2018 to 31 December 2018

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 2018.

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 2018 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 2018 and of its income and expenditure for 2018 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

26 June, 2019

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

17 June, 2019
Date

The Risk Equalisation Fund

Statement of Income and Expenditure and Retained Revenue Reserves for the year ended 31 December 2018

	<i>Notes</i>	12 months ended 31 December, 2018	12 months ended 31 December, 2017
		€'000	€'000
Income			
Stamp duty	2	732,502	672,950
Expenditure			
Risk equalisation premium credit	3	617,053	556,214
Hospital utilisation credit	4	121,140	112,120
Staff and other costs	5	271	220
Total expenditure		738,464	668,554
Excess of (expenditure over income) / income over expenditure			
		(5,962)	4,396
Investment Income		-	-
(Deficit) / Surplus for the year			
		(5,962)	4,396
Retained revenue reserves at beginning of year		44,928	40,532
Retained revenue reserves at end of year		38,966	44,928

Sheelagh Malin
Chairperson

Ian Britchfield
Member

17 June, 2019
Date

Notes 1 to 12 form part of these Financial Statements

The Risk Equalisation Fund

Statement of Financial Position at 31 December 2018

	Notes	2018 €'000	2017 €'000
Current Assets			
Short term deposits	6	270,693	261,780
Cash and cash equivalents		63	229
Prepayments and other debtors	7	215,164	216,834
		485,920	478,843
Creditors (amounts falling due within one year)			
Creditors and accruals	8	(403,734)	(391,345)
Hospital utilisation credit provision	9	(43,220)	(42,570)
		(446,954)	(433,915)
Net assets		38,966	44,928
Representing			
Retained Revenue Reserves		38,966	44,928

Sheelagh Malin
Chairperson

Ian Britchfield
Member

17 June, 2019
Date

Notes 1 to 12 form part of these Financial Statements.

The Risk Equalisation Fund

Statement of Cash Flows for the year ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Reconciliation of operating (deficit)/surplus to net cash inflow from operating activities			
Operating excess of (expenditure over income) / income over expenditure for year		(5,962)	4,396
Decrease / (increase) in debtors	7	1,670	(31,345)
Increase in creditors	8 & 9	13,039	40,330
Net cash inflow from operating activities		8,747	13,381
Cash inflow from investing activities			
Bank interest received		-	-
Net cash inflow from investing activities		-	-
Increase in cash and cash equivalents		8,747	13,381
Cash and cash equivalents at 1 January		262,009	248,628
Cash and cash equivalents at 31 December		270,756	262,009
Increase in cash and cash equivalents		8,747	13,381

Sheelagh Malin
Chairperson

Ian Britchfield
Member

17 June, 2019
Date

Notes 1 to 12 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 Fund.

The Authority is responsible for the establishment, administration and maintenance of the 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 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 2018 to 31 December 2018.

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 8 – 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 7 – Prepayments and Other Debtors**).

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 Fund.

	2018 €'000	2017 €'000
Stamp duty paid into the Fund	737,603	683,756
Stamp duty receivable movement in year	1,997	23,127
Un-earned stamp duty movement in year	(7,098)	(33,933)
	732,502	672,950

3. Risk equalisation premium credit

	2018 €'000	2017 €'000
Payments made to registered undertakings	610,386	553,231
Risk equalisation premium credit payable to registered undertakings movement in year	3,000	11,201
Un-expensed risk equalisation premium credit movement in year	3,667	(8,218)
	617,053	556,214

4. Hospital utilisation credit

	2018 €'000	2017 €'000
Payments made to registered undertakings	117,977	117,143
Hospital utilisation credit payable to registered undertakings movement in year	2,513	(285)
Hospital utilisation credit provision movement in year	650	(4,738)
	121,140	112,120

5. Staff and other costs

	2018 €'000	2017 €'000
Health Insurance Authority recharged costs:		
Salaries and staff costs	141	140
Training costs	4	5
Directors Fees	3	3
Rent, service charge and maintenance	17	16
Insurance	5	3
Computer and stationery	5	3
Other administration costs	16	10
Depreciation	8	6
	199	186
Costs directly charged to the Fund:		
Audit	8	8
Accountancy	5	5
Actuarial	19	18
Insurance	2	2
	34	33
Costs directly incurred by the Fund:		
Bank Charges	38	1
	271	220

The cost included in the Statement of Income and Expenditure and Retained Revenue Reserves for the year 2018 is prepared using the accruals basis of accounting.

6. Short Term Deposits

Short term deposits comprise investments in exchequer notes issued by the National Treasury Management Agency. Exchequer notes are short term interest bearing notes. Excess income, capital or other benefit received that is not immediately required for the purposes of the Fund may be invested in exchequer notes.

7. Prepayments and Other Debtors

	2018 €'000	2017 €'000
Un-expensed risk equalisation premium credit		
Un-expensed risk equalisation premium credit	55,454	59,121
Accrued stamp duty receivable	159,710	157,713
	215,164	216,834

8. Creditors and Accruals

	2018 €'000	2017 €'000
Stamp duty un-earned	286,337	279,239
Risk equalisation premium credit payable	96,213	93,213
Hospital utilisation credit payable	20,951	18,438
Health Insurance Authority	233	455
	403,734	391,345

9. Hospital Utilisation Credit Provision

	2018 €'000	2017 €'000
At start of year	42,570	47,308
Arising during the year	121,140	112,120
Utilised during the year	(120,490)	(116,858)
At end of year	43,220	42,570

10. Financial Position of the Risk Equalisation Fund

As per the Statement of Income and Expenditure and Retained Revenue Reserves, the retained reserves were €39.0m (2017: €44.9m). 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 2018, the Fund held cash and cash equivalents of €271m (2017: €262m).

11. 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.

12. Approval of Financial Statements

The Financial Statements were approved by the Authority on 17 June 2019

6 Appendices

Appendix A

Statistics Relating to the Private Health Insurance Market in Ireland, 2018

Table 1: Insured Persons^{6,7}

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%
December 2018	2,220	45.5%

⁶ All figures relate to the total private health insurance market, i.e. open enrolment and restricted undertakings.

⁷ 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)	Year	Total Income ‡ (€m)
2002	821.9	2010	1,949.1 ‡
2003	978.2	2011	2,061.4 ‡
2004	1,061.1	2012	2,240.7 ‡
2005	1,152.7	2013	2,388.5 ‡
2006	1,299.5	2014	2,444.9 ‡
2007	1,477.8	2015	2,462.4 ‡
2008	1,652.2	2016	2,528.0 ‡
2009	1,846.7	2017	2,655.0 ‡
		2018	2,678.4 ‡

‡ 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%
2018	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.

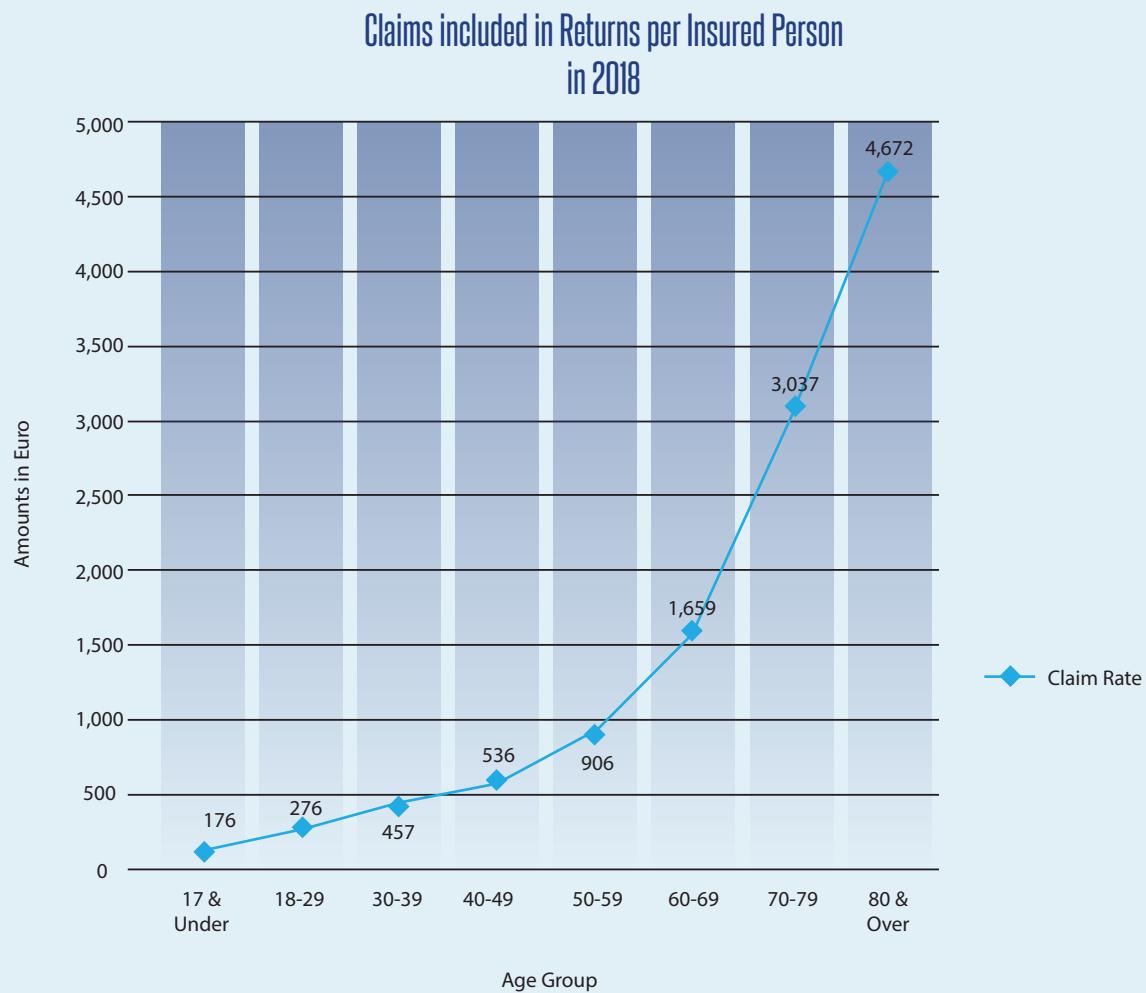
** In respect of 2012, the data is a sum of the market shares of Quinn Insurance Ltd (Under Administration) and Elips Insurance Ltd. Previous years relate to Quinn Healthcare or BUPA Ireland (2006 and earlier).

*** Theses 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



Appendix C

Age Structure of Market

The following table shows how the age structure of the market has changed since the end of 2015. 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	2015	2016	2017	2018
Age Group				
0-17	475	481	481	494
18-29	210	217	221	234
30-39	297	292	285	287
40-49	322	326	328	337
50-59	276	284	286	290
60-69	224	232	236	240
70-79	132	141	149	157
80+	55	60	63	67

The following table shows how market shares varied with age at the end of 2018. 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	23%	28%	50%
50-59	21%	27%	53%
60-69	19%	29%	52%
70-79	13%	25%	62%
80+	8%	14%	78%
Total	21%	27%	52%

Appendix D

The Register of Health Benefits Undertakings as at 31 December 2018

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 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	
	Male	Female	Male	Female
Adult (18 and over)	€222		€444	
Child (17 and under)		€74		€148

Rates Applying for Contracts Commencing/Renewing from 1 April 2018 to 31 March 2019

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 and above	€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	
	Male	Female	Male	Female
Adult (18 and over)	€177		€444	
Child (17 and under)		€59		€148

Rates Applying for Contracts Commencing/Renewing from 1 April 2019

Risk Equalisation Premium Credits

Contract Type	Non-Advanced		Advanced	
	Male	Female	Male	Female
65-69	€400	€275	€1,050	€700
70-74	€650	€475	€1,775	€1,225
75-79	€925	€725	€2,775	€1,900
80-84	€1,050	€925	€3,300	€2,475
85+	€1,350	€1,075	€4,600	€3,100

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	€177	€444
Child	€59	€148

Appendix F

Lifetime Community Rating Statistics

Lifetime Community Rating Loadings Paid

Year	Number of Lives	Loadings Paid
2017	26,136	€4.5m
2018	38,755	€6.9m

Notes: