



An tÚdarás Árachas Sláinte  
The Health Insurance Authority

# Health Insurance Regulation

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# The Health Insurance Authority's Role

- Regulate compliance with legislation
- Monitor the market and advise the Minister
- Risk Equalisation
  - Advise on credits and levies
  - Administer the payment system and the Risk Equalisation Fund (€570m cashflow p.a.)
  - Ensure no overcompensation
- Consumer information (600,000 contacts p.a.
  - mostly website)

# Market Regulation

- Voluntary,
- Competitive,
- Community Rated.

# Market Regulation (2)

- Regulated by HIA:
  - Community Rating
  - Open enrolment
  - Minimum Benefit
  - Risk Equalisation
  - Product Notification
- (Except Vhi) Regulated by CBI and European Regulators :
  - Solvency
  - Consumer Protection
  - Fitness and Probity
- Subject to the above, insurers have freedom on pricing product design, arrangements with providers, claims control etc.

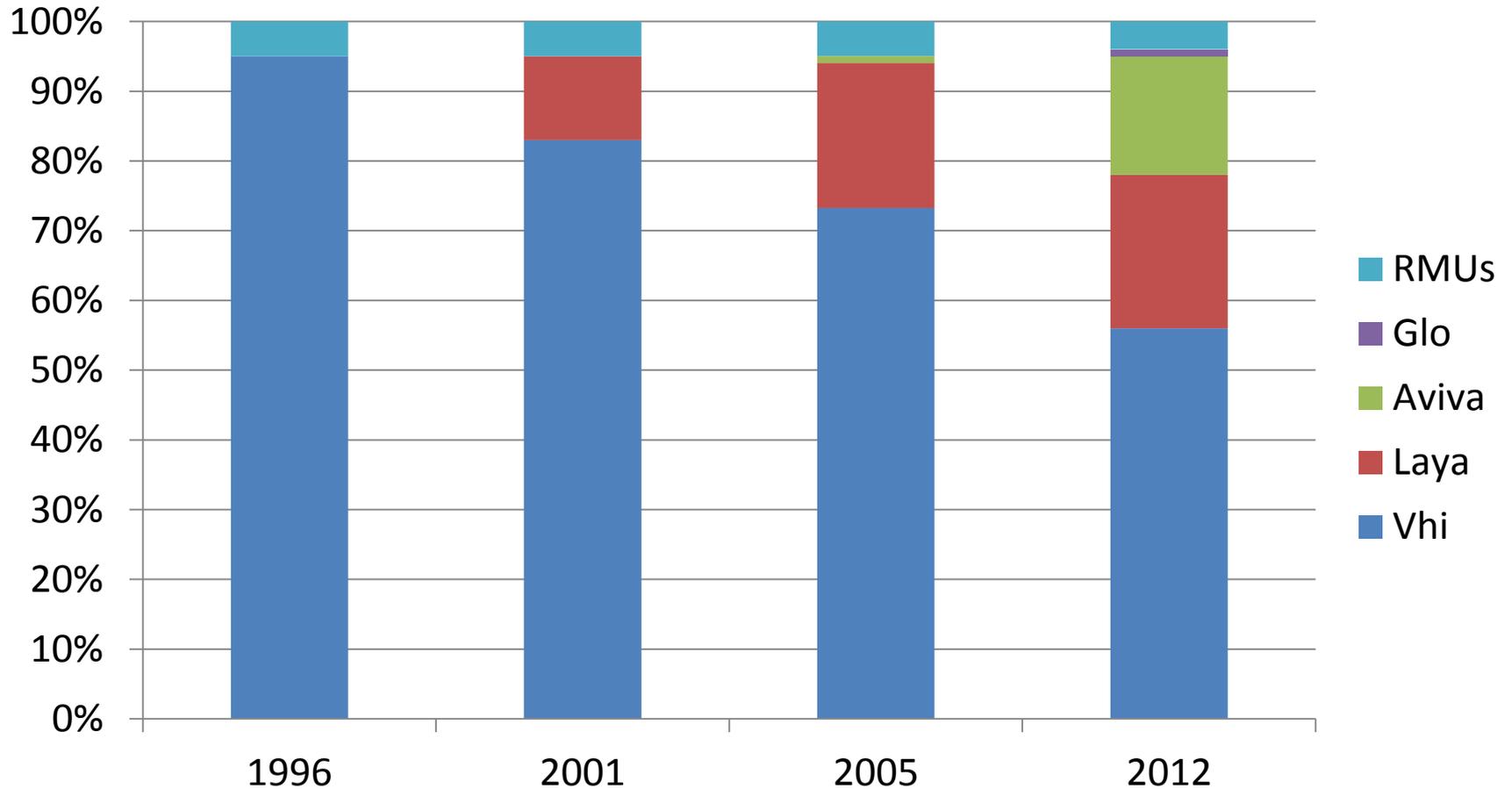
# Coverage

- Total insured at end December 2013 was 2,052,000.
- Represents 45% of the Population
- Market peak was 2,297,000 or 51% of the population at the end of 2008.

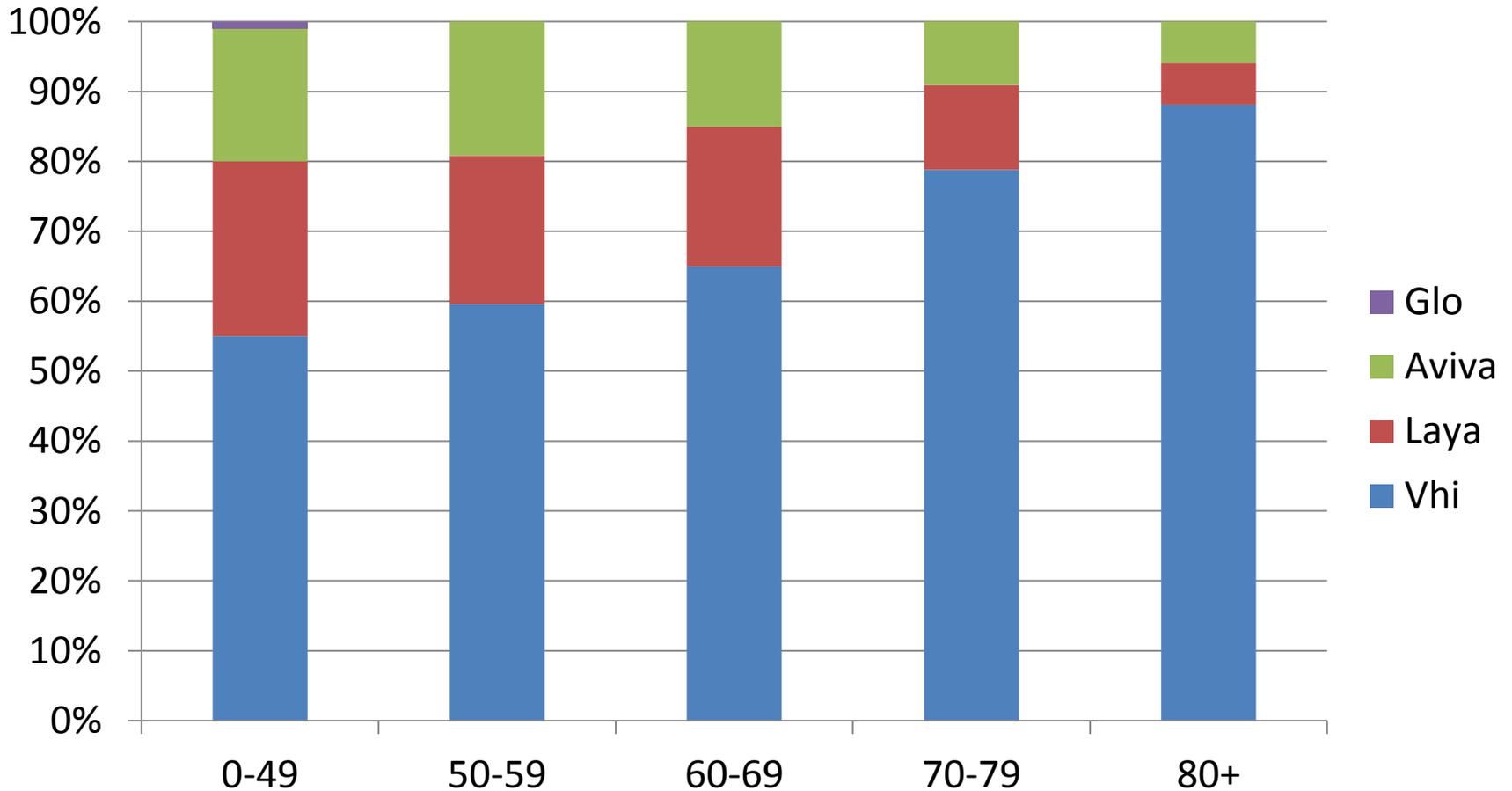
# Health Insurance Market Accounts in 2012

		% of Premium
Premium earned	€2,220m	
Claims incurred	-€2,050m	92%
Expenses and reinsurance (including reinsurers' profit)	-€170m	8%
Investments	€20m	1%
Profit before tax (excluding reinsurers)	€20m	1%

# Market Shares by Membership

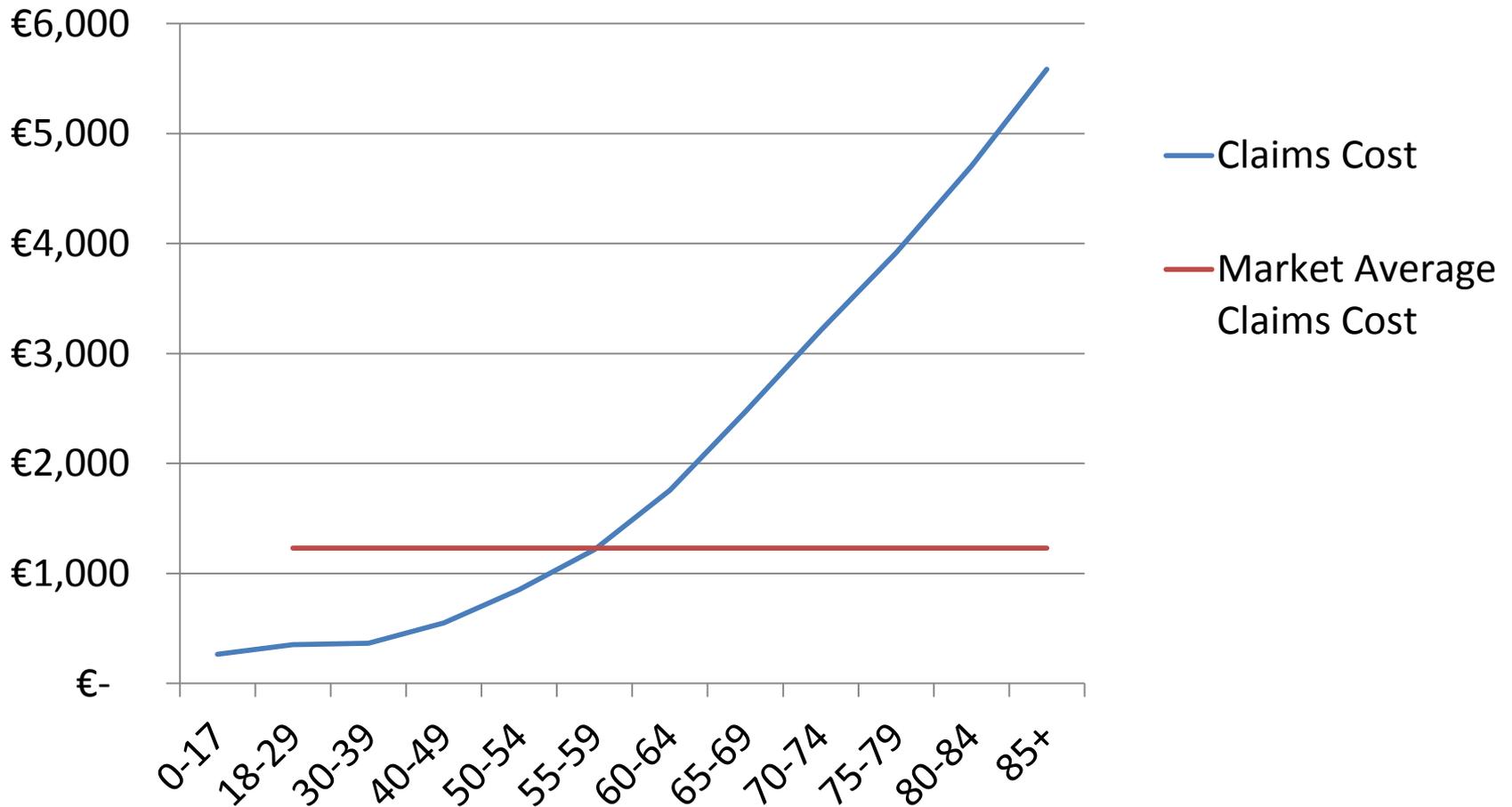


# Market Shares by Age - 1 Jan 13



# Projected Claims Costs for Males

(The most popular level of cover)



# Regulation in Ireland Timeline

- 1994 Health Insurance Act
- 2001 Health Insurance (Amendment) Act and HIA Established
- 2009 Interim Risk Equalisation System and HIA consumer information function
- 2012 – Permanent Risk Equalisation System

# Need for Risk Equalisation (RE)

- Without RE the economic incentives are:
  - Insure healthier consumers
  - Avoid less healthy consumers
  - Segment your risk profile so that less healthy consumers can be charged more
- Also, without RE competition is distorted and insurers with a worse risk profile are at a disadvantage.

# Structure of Risk Equalisation in Ireland

- RE is provided for in the Health Insurance Acts.
- Credits are paid out of the Risk Equalisation Fund in respect of insured persons:
  - Mainly older people
  - Also people who spend time in hospital
- Credits vary by age, gender, level of cover and hospitalisation.
- The Fund is funded by a stamp duty (levy) paid by all insurers.
- The levy is calculated so that the credits distributed will equal the levy collected.

# Market Impacts of Risk Equalisation

- Supports community rating by:
  - Reducing the net claims cost for products that insure more older / less healthy people.
  - Also increases the net cost for products that insure more younger / healthy people.
- Supports competition by reducing distortions between insurers with different age / health profiles.
- Maintains focus on consumer beneficial activities (such as cost control) rather than managing age profile.
- Overall impact on market costs is neutral.

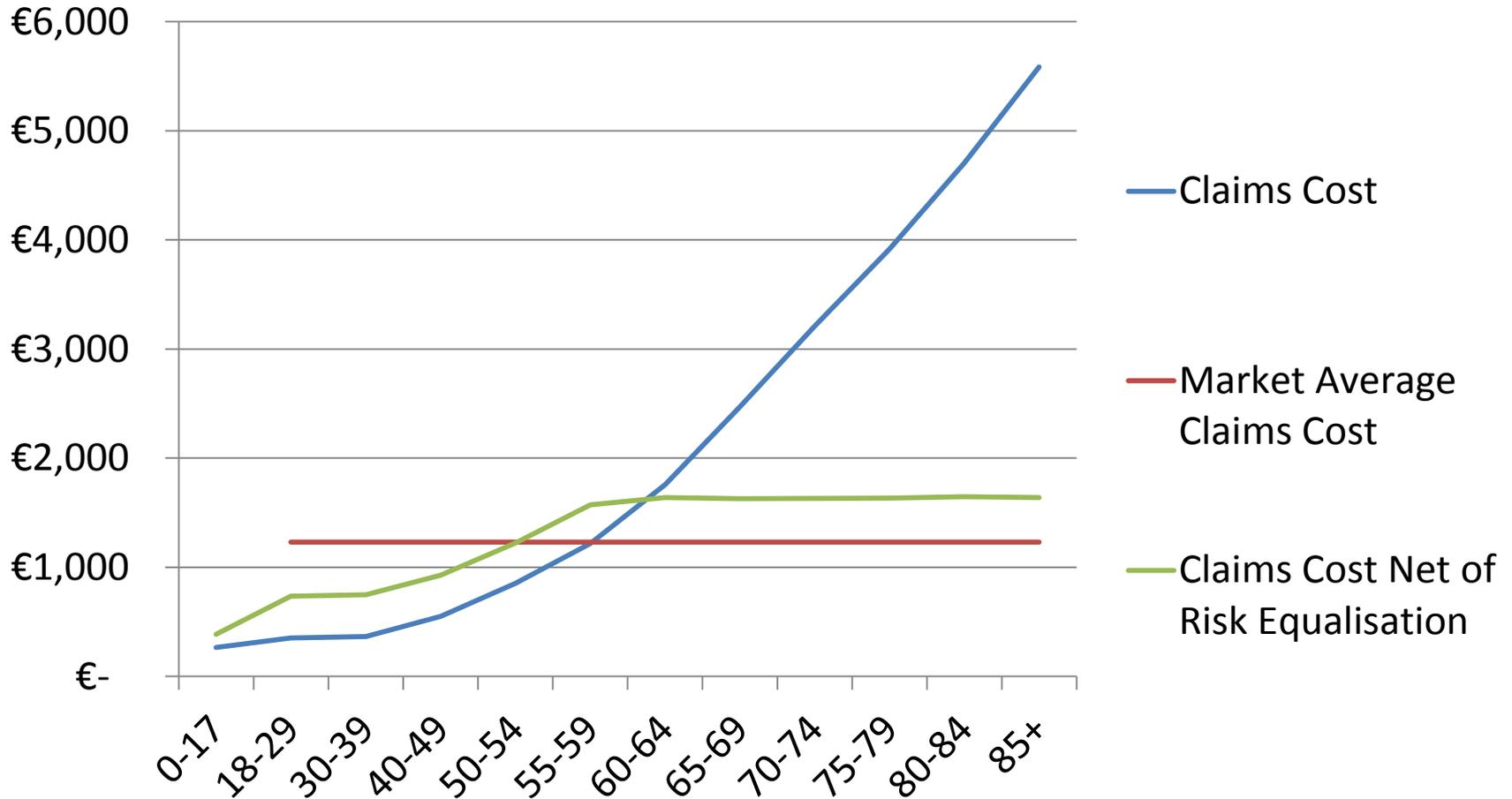
# How are credits / levy determined

- HIA analyses data and advises the Minister, based on the following:
  - Support community rating
  - Market sustainability
  - Competition
  - Avoid overcompensation
  - Levy collected should equal credits distributed to the market
- The Ministers for Health and Finance decide what credits and levy to propose to the Oireachtas.
- Credits / levy are as enacted by Oireachtas in an amendment to the Health Insurance Acts.

# Risk Equalisation Credits from 1 March 2014

Credits	Advanced		Non Advanced	
	Male	Female	Male	Female
60-64	€450	€325	€250	€200
65-69	€1,150	€775	€575	€400
70-74	€1,850	€1,200	€925	€625
75-79	€2,500	€1,925	€1,200	€950
80-85	€3,200	€2,250	€1,575	€1,150
85+	€4,000	€2,725	€1,975	€1,325
Hospitalisation	€60	€60	€60	€60
	Adult	Child	Adult	Child
Stamp Duty	€399	€135	€290	€100

# Impact of Risk Equalisation on Net Costs by Age (Males with the most popular level of cover)



# Impact of RE by Product

- It is important to look at the combined impact of the stamp duty and the credits.
- RE reduces net claims costs for products with older and less healthy people.
  - e.g., in the case of one very popular plan on the market, RE reduces costs by c. €700 per insured adult.
- For products with fewer older people, net claims costs increase, although not by the full cost of the levy as all have some older people.

# Total Credits and Stamp Duty

- It is projected that c. €570m of credits will be paid out of the REF for 2014.
- This is funded by stamp duty payments of c. €570m for the same period.
- In this way, an amount, approximately equal to 25% of health insurance premiums is redistributed through the REF in order to support the higher claims costs of older and less healthy people.

# Other Key Challenges for the Market

- Claims / Premium Inflation
- Ageing Market
- Product Proliferation / Confusopoly

These challenges arise in the context of the voluntary and competitive nature of the market:

- Freedoms for pricing, claims management and product design
- Freedom to opt in or out of insurance

# Claims / Premium Inflation and Ageing

- Both average claims and premiums have been increasing by about 10% p.a. since 2008.
- Around 3% p.a. of this is due to ageing.
- Each of the following contributes around 1% p.a. to the cost of ageing:
  - Ageing of the general Irish population
  - Increased penetration amongst older people
  - Reduced penetration amongst younger people

## Claims / Premium Inflation and Ageing(2)

- Claims management and pricing are areas in which the insurers have freedom.
- Minister established a group under Pat McLoughlin to look at Claims Inflation.
- Policy options to address ageing include:
  - Lifetime Community Rating (in a voluntary market)
  - Allowing discounts for younger adults

# Product Proliferation / Confusopoly

- Number of products in the market has increased to almost 300.
- According to the UK Office of Fair Trading confusopolies
  1. Make comparisons harder, reduce the likelihood that consumers will get the best deal and increase scepticism and inertia around switching.
  2. Reduce the impact of the 'marginal consumer' ... whose comparisons and switching behaviours might otherwise drive down prices for everyone else too.

# Product Notification / Consumer Information

- Insurers have freedom on product design
- Insurers (except Vhi) and Intermediaries are subject to the CBI's Consumer Protection Code
- HIA gets 30 days notice of new products / product changes.
- Information is published on [www.hia.ie](http://www.hia.ie) in a consumer friendly way – enabling comparisons.
- Publication on website informs financial advisers and consumer advisers.
- Consumers can phone HIA for assistance
- 600,000 contacts (mostly website) in last 12 months