



An tÚdarás Árachas Sláinte
The Health Insurance Authority

Risk Equalisation in the Irish Health Insurance Market

Presentation to the Joint Committee on Health and Children

21 February 2013

The Health Insurance Authority's Role

- Regulate compliance with legislation
- Consumer Information
- Monitor the market and advise the Minister
- Risk Equalisation
 - Advise on credits and levies
 - Administer the payment system and the risk equalisation fund
 - Avoid overcompensation (as per EU rules)

Risk Equalisation Credits

from 31 March 2013 – Advanced Cover

Credits	Male	Female
60-64	€425	€275
65-69	€1,050	€775
70-74	€1,700	€1,150
75-79	€2,425	€1,800
80+	€3,375	€2,275
Hospitalisation	€75 per night	€75 per night

	Adult	Child
Stamp Duty	€350	€120

The Stamp Duty and age related credits for non-advanced plans are c. 85% of those for advanced plans.

The requirement for Risk Equalisation (RE)

- The average claim cost for a male over 80 in 2013 is projected to be €5,000, 4½ times the market average claim cost.
- Without RE the market incentives are:
 - Insure younger healthier consumers
 - Avoid older less healthy consumers
 - Segment your risk profile so that older and 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

- Health Insurance Acts (as amended by 2012 Act).
- The Risk Equalisation Fund is funded by a stamp duty (levy) paid by all insurers.
- Credits are paid out of the fund in respect of insured persons:
 - Particularly older people
 - Also people who spend time in hospital
- Credits vary by gender and level of cover
- The levy is calculated so that the credits distributed equal the levy collected.

How are credits / levy determined

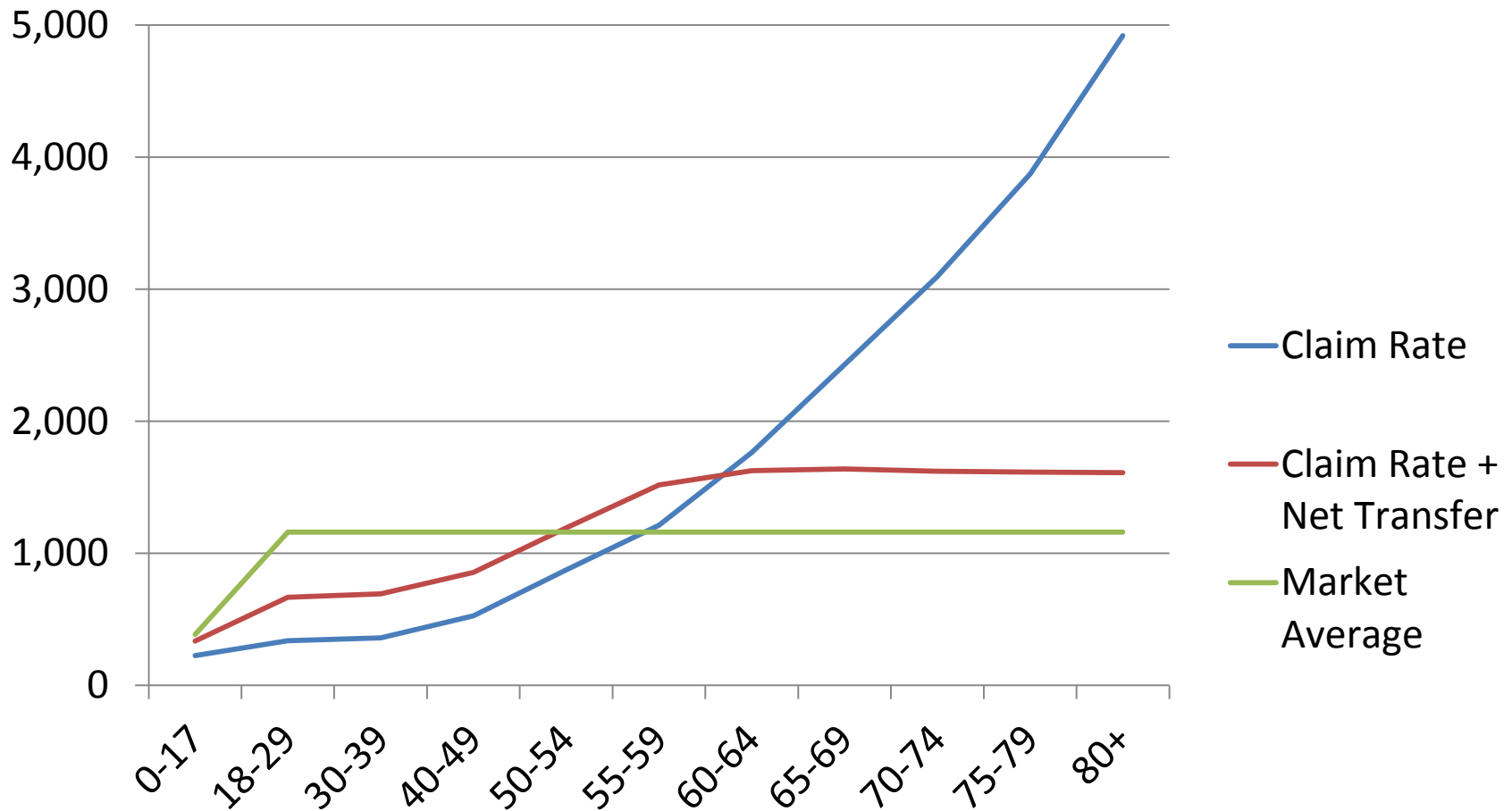
- HIA analyses the market and advises the Minister, having regard to the following:
 - Support community rating
 - Avoid overcompensation
 - Market sustainability
 - Competition
 - Levy collected set to equal credits distributed to the market
- Minister proposes credits / levy to the Oireachtas.
- Credits / levy are as enacted by Oireachtas.

Market Impacts of Risk Equalisation

- Supports competition by reducing the disadvantage for insurers with older / unhealthier profiles.
- Encourages focus on consumer beneficial activities (such as cost control) rather than managing age profile.
- 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.
- Overall impact on market costs is neutral.

Impact of Risk Equalisation on Net Costs by Age

Males, most popular level of hospital cover (includes semi-private room in private hospitals), projected to 2013 policies.



Claims Costs – The Driver of Premium Increases

Year	% Increase in Premium Paid per Insured Person	% Increase in Claims Paid per Insured Person
2008	9%	11%
2009	11%	23%
2010	7%	4%
2011	7%	5%
2012	12%	12%
5 years to 2012	56%	67%