



An tÚdarás Árachas Sláinte
The Health Insurance Authority

Health Insurance (Amendment) Bill 2013

Presentation to the Oireachtas Joint Committee on Health and Children

28 November 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
 - Ensure no overcompensation

The requirement for Risk Equalisation (RE)

- The average claim cost for a male over 80 is projected to be c. €5,000 or 4 times the average for all consumers.
- Without RE the market incentives would be:
 - 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.

Market Impacts of Risk Equalisation

- 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.
- 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.

Structure of Risk Equalisation in Ireland

- RE is provided for in the Health Insurance Acts.
- 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 age, gender, level of cover and hospitalisation.
- The levy is calculated so that the credits distributed equals the levy collected.

Main Amendments in the Health Insurance (Amendment) Bill 2013

- Changes the credits and stamp duties payable under Risk Equalisation.
- Changes the date from which new credits and stamp duties apply.
- Clarifies the process for assessing whether overcompensation has occurred.

How are credits / levy determined

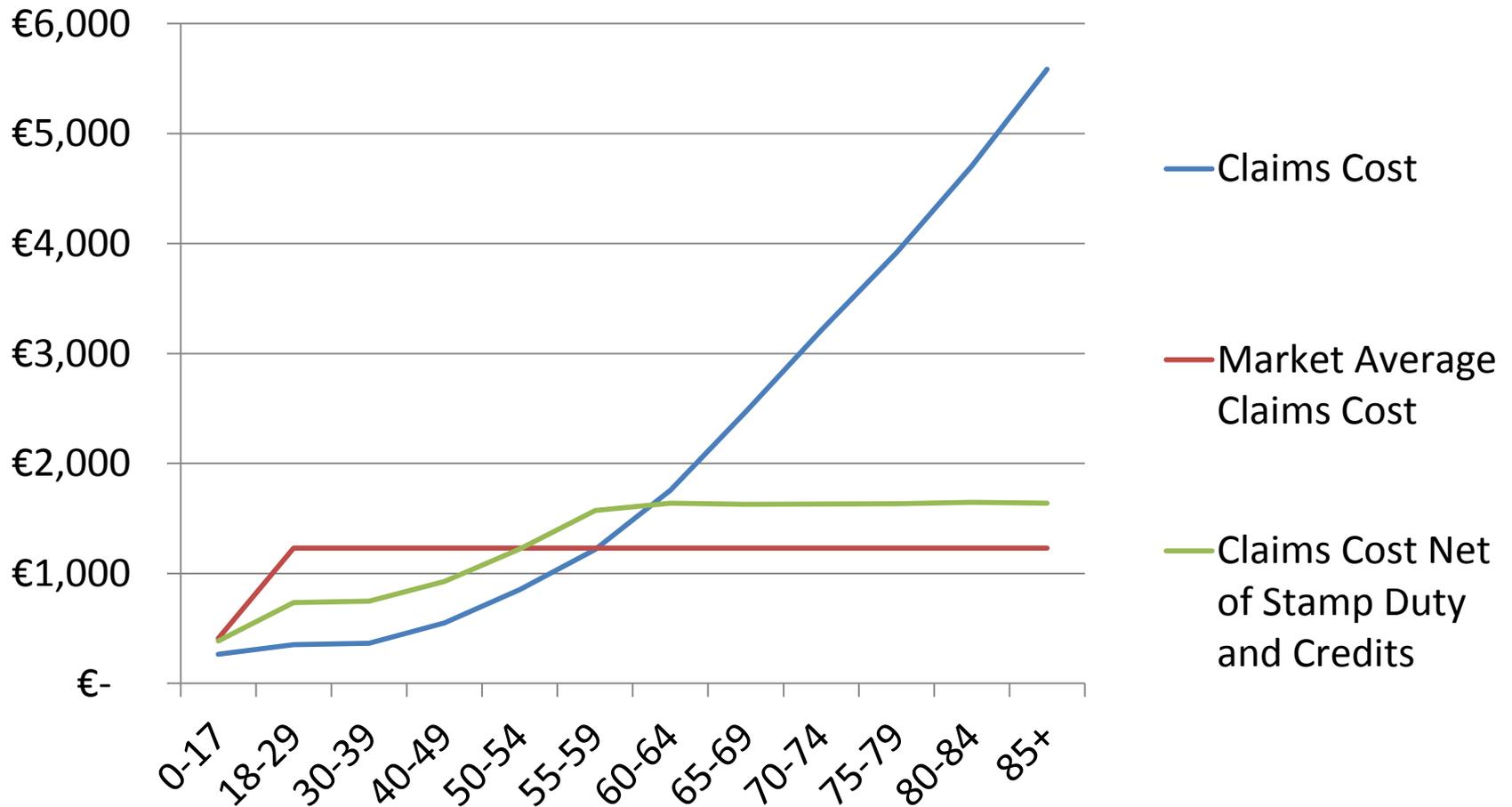
- HIA analyses data and advises the Minister, based on the following:
 - Support community rating
 - Market sustainability
 - Competition
 - Avoid overcompensation
 - Levy collected should equal credits distributed to the market
- The Minister for Health and Minister for Finance decide what credits and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

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 Risk Equalisation by Product

- It is important to look at the combined impact of the stamp duty and the credits.
- This shows that increasing the strength of risk equalisation reduces the net costs for products that have more older people.
- The converse is the case with products that have more younger people.

Impact of RE by Product (2)

- RE reduces net claims costs for some older products with all three of the more established insurers (based on data for 1/7/13).
- In the case of the most 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.

Impact of Risk Equalisation by Insurer

	Net beneficiary (Vhi)	Net Payers (Aviva, Glo and Laya)
Impact per insured person in 2013	Reduce costs by €75	Increase costs by €100
Impact per insured person in 2014	Reduce costs by €90	Increase costs by €110
Change	Cost reduction of €15	Cost increase of €10
Change as a % of average premium	1%	1%

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.