

The Private Health Insurance Market in Ireland

- A Market Review -

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Executive Summary

Approximately half of all respondents had private health insurance and the main reasons were because of the perceived high cost of medical treatments/accommodation and the perceived standard of public health services. VHI retained the status of main insurer although QUINN and VIVAS have increased their share of the market since the previous survey in 2005. Non-consumers cited reasons about the perceived high cost of private health insurance and possession of a medical card.

In general, there appeared to be a growing level of satisfaction among consumers with the products and services offered by insurers. The consumer survey also showed that consumers felt they had a high level of understanding about cover and clearly intended to maintain ownership of private health insurance in the future.

Although the perceived high cost was one of the main reasons why non-consumers did not have private health insurance, there was a relatively high level of satisfaction among consumers with value for money. The majority of consumers indicated that they intended to always have private health insurance as it was generally considered a necessity. However there was a threshold premium increase at which the majority of consumers would begin to consider discontinuing cover.

The consumer survey revealed a lower awareness level of key market concepts such as community rating and risk equalisation and this was confirmed by the consumer focus groups. The focus groups also provided a useful perspective on how consumers from different age and gender backgrounds viewed the market, e.g. both younger and older participants felt that there should be some form of incentive to maintain insurance cover and reward long-term ownership of private health insurance.

Switching between health insurers was low primarily because consumers were satisfied with their current insurer. Other reasons ranged from being worried (or confused) about waiting periods to having difficulty comparing plans. In addition, the employer survey

revealed that many employers did not offer more than one private health insurer. Of those who have switched insurer, cost savings was the main reason.

This section provides a summary of the main points within each chapter of the report.

Chapter One: Market Overview

- Ownership of private health insurance has remained at approximately half of the Irish adult population in 2007.
- Social class and age continue to be key determinants of those with private health insurance. For social class, ownership for ABC1 social classes was 73% compared with C2DE at 29%. When examined by age group, ownership for 35-54 year olds was 57% compared with 39% of 18-24 year olds and 42% consumers over-64 years.
- Overall, approximately one-third (34%) of all respondents claimed to possess a medical card or a GP Visit Card (10% of consumers and 58% of non-consumers). Approximately 14% of all medical cardholders (with full or partial entitlements) had private health insurance (or 5% of all respondents).

Chapter Two: Consumer Market

- Using a clustering methodology, the consumer market, i.e. those with private health insurance, can be generally described by three main segments; Couples, Younger Singles and Retirees. A more detailed description is provided in the text.
- The two main reasons why consumers had private health insurance is because they perceived the cost of medical treatments/accommodation to be very high (52% of all consumers) and because of the perceived standard of public services (38% of all consumers).
- The focus groups revealed a range of more subtle factors which motivated the take up of private health insurance at different age groups. Younger consumers were motivated by benefits relating to their lifestyle or lifestage, e.g.

physiotherapy, ante-natal/post-natal care, sports injuries. They also succumbed to owning private health insurance through parental involvement or simply by having it through a work scheme. Older consumers tend to value PHI highly and can appreciate the need for private health insurance through their own experience and/or that of family/friends in the public health system.

- VHI retained the status as the main insurer with 70% of the consumer market, followed by QUINN (20%) and VIVAS (6%). The restricted membership schemes made up the remaining 4% of the market, e.g. ESB and Gardai.
- Approximately 45% of all consumers sampled were aged between 25-44 years old. The age profile of VHI was older than that of QUINN and VIVAS.
- The median (see Terms and Expressions for an explanation) number of years that consumers held PHI was 14 years (10 years with current insurer).
- Approximately one-third (33%) of all consumers indicated that their PHI policy was part of a work group scheme (although the HIA have other data that indicate the proportion of health insurance consumers in work group schemes is significantly higher) and 57% of these work group schemes were paid (fully or partially) by their employer. Nearly two-thirds (64%) of these work group schemes did not offer a choice of insurer, i.e. they offered only one insurer.
- Private health insurance was ranked as the second most important employment benefit by consumers (behind a pension).
- The majority of consumers (79%) did not intend to change their PHI plan, 10% intended to upgrade their plan and only 1% intended to discontinue their plan.
- The most common plan composition was two adults with no children included on their plan (26% of all plans), a single adult with no children included on their plan (23%) and two adults with two children included on their plan (12%).
Approximately 40% of all plans surveyed included at least one child.

Chapter Three: Consumer Satisfaction

- Consumers appeared to be satisfied with their PHI provider. Nearly six-in-ten consumers (59%) were very satisfied with the current range of products and

- services offered by their private health insurer, 63% of consumers were very satisfied with the customer service they received from their health insurer and 62% of consumers were very satisfied with the quality of information and advice they received from their private health insurer explaining cover and benefits.
- Satisfaction with cover was also high as 64% of consumers were very satisfied with the level of cover provided by their health insurance plan and 50% of consumers were very satisfied with the level of out-patient/non-hospital cover on their plan.
 - ‘Hospital treatment as a private patient under a consultant’ was the most valued element of cover for consumers (72% of all consumers indicated this as their most valued element).
 - Approximately one-in-ten consumers (11%) indicated that they had a major concern about their private health insurance. These concerns were mainly about the rising cost of private health insurance and limitations of cover. Only 1% of consumers sampled had ever made a complaint to an insurer.
 - Four-in-ten consumers (40%) felt that increases in premiums experienced in recent years were not appropriate and not justifiable by the cost of treatment and service. Despite this, consumers still felt that private health insurance represented ‘value for money’ and would only consider discontinuation of cover when premium increases up to 30% were realised.
 - The consumer focus groups revealed another perspective on private health insurance ownership where some consumers described the ongoing payment of private health insurance premiums as a form of building credits for when they will eventually need it. This resulted in a reluctance to opt out of the system and suggested that not all consumers understood the system fully.
 - The consumer focus groups also revealed dissatisfaction with the claims process in that many focus group participants believed that insurers paid out without checking whether the levels of service supplied equated to those charged for by hospitals and by consultants in particular. For this reason, some respondents believed that the PHI companies should check with at least a proportion of their consumers to verify details before settling bills on their behalf.

- Over half (51%) of all consumers were very satisfied with the overall value for money of PHI and cost was not raised as a major concern during the consumer focus groups. Furthermore, half of all consumers (49%) agreed that PHI represented good value for money although 62% of consumers indicated that they would discontinue cover if premium increases of up to 30% were realised.
- Apart from cost, other factors which would lead to discontinuation of cover were if the level of cover deteriorated (32% of all consumers), service levels deteriorated (27%) and/or job loss (27%).

Chapter Four: Consumer Awareness

- The majority of consumers (92%) indicated that they had at least some level of understanding about cover and were satisfied with their level of understanding. The proportion of consumers who claimed to have a full understanding of cover has increased from 30% in 2002 to 43% in 2005 and 52% in 2007.
- Approximately seven-in-ten consumers (72%) claimed to be aware that an insurer may require a waiting period be served before making a claim on a new policy in certain circumstances and 68% of consumers claimed to be aware of the level of outpatient/non-hospital cover they had. These relatively high levels of awareness were not reflected during the consumer focus groups when a certain degree of confusion was noted when waiting periods were discussed.
- The general public, i.e. consumers and non-consumers, were not particularly aware of the concepts of risk rating, community rating, risk equalisation and open-enrolment that are the key features of Ireland's health insurance system. The findings from the focus groups backed this up in that the term "community rating" was mentioned from time to time but it was clear that it was neither universally known nor understood.
- Both consumers and non-consumers were generally aware about how many insurers were operating in the Irish private health insurance market. A significant proportion of consumers (76%) and non-consumers (50%) would welcome the introduction of more health insurance providers in the Irish market.

- Less than half (47%) of all consumers agreed that there was adequate information to compare plans on offer from different insurers.
- Approximately 62% of all consumers indicated that they were aware of recent developments in the Irish private health insurance market. Less than half (47%) of all consumers agreed that they were adequately protected in that market.
- Consumers were more likely than non-consumers to have some awareness of The Health Insurance Authority. Nearly half of all consumers (46%) had, at least, some awareness of its functions (an increase from 38% in 2005). Among non-consumers, the equivalent percentage was 19%.
- Approximately 18% of all consumers indicated that they would contact the Health Insurance Authority for advice and/or help with a health insurance problem.

Chapter Five: Consumer Attitudes

- The majority (87%) of consumers intended to *always* have private health insurance and PHI was considered a necessity by 89% of consumers. Nine-in-ten consumers (90%) disagreed that public services were adequate in Ireland.
- Approximately three-quarters (74%) of all consumers (and 48% of non-consumers) felt that having PHI meant getting a better level of healthcare service. Six-in-ten consumers (and non-consumers) agreed that having PHI meant that you could skip the queues.
- Over seven-in-ten consumers (71%) disagreed that PHI was only for the wealthy. In contrast, six-in-ten (59%) of all non-consumers agreed that private health insurance was only for the wealthy.
- Both consumers and non-consumers were in agreement that it was not only sick and old people that needed private health insurance. A larger proportion of non-consumers (than consumers) felt that there was no need for private health insurance in Ireland because the public services were adequate.
- During the consumer focus groups, both younger and older participants felt that there should be some form of incentive to maintain insurance cover and reward long-term ownership of private health insurance.

Chapter Six: Consumer Behaviour

Switching

- Approximately 10% of all consumers indicated that they have switched their private health insurer at some point and a further 13% of all consumers have considered it. Approximately 19% of consumers who switched insurer were contacted (unsuccessfully) by their insurer in an effort to keep their business.
- Most switching activity took place between VHI and QUINN, which was expected because BUPA entered the market in 1997 whereas VIVAS only entered in late 2004. However, VIVAS were successful in recruiting some consumers from both VHI and QUINN.
- The main reason why consumers switched insurer was because they felt that the new insurer was cheaper and cost savings could be made (61% of all switchers stated this reason).
- The main reasons why consumers have never switched insurer is because they were satisfied with their insurer (45% of all non-switching consumers stated this reason) and/or have been with the existing provider for a long time (27%).
- The focus groups discussed switching in greater depth and revealed that consumers had difficulty comparing plans and there was a general unwillingness to change an insurer when they were clearly satisfied with their existing supplier.
- The employer survey revealed that over 72% of all large organisations only offered a single insurer, i.e. there was no choice unless an employee wanted to source another insurer independently and administer their own policy (See Chapter Eight: Employer Survey for more information).
- Consumers who have never switched insurer indicated that significant cost savings (54%) and/or better level of cover (36%) would encourage them to switch insurer.
- Forty percent (40%) of all consumers were not aware that if they completed the required waiting period with one insurer and decided to switch to a comparable plan with another insurer, they would not need to serve an additional waiting

- period. There was some evidence to suggest that knowledge of this fact would encourage more consumers to switch their private health insurance provider.
- During the focus groups, the waiting period was perceived as an uncomfortable and anxious time, i.e. when they were not covered. Therefore consumers unaware of waiting period rules would not consider switching unless absolutely necessary. There was also a feeling that insurers tended to highlight the waiting period as a disincentive to switch.
 - Nearly half of all consumers sampled (46%) agreed that there was adequate information available to enable them to compare plans on offer from different private health insurers.

Claims

- Approximately 59% of all consumers have made at least one claim on their existing policy and nearly one-third (31%) of claimants made a claim within the past 12 months.
- Consumers were generally satisfied with the claims process (95% were either very satisfied or satisfied). However, the focus groups revealed some concern that insurers did not always check the actual level of service received by claimants prior to settling hospital charges.
- During the focus groups, consumers expressed some dissatisfaction that certain treatments were excluded from general cover, e.g. physiotherapy, chiropractors.

Chapter Seven: Previous & Non-Consumers

- Approximately half of all respondents to the consumer survey did not have PHI and the main reasons stated were cost (mentioned by 60% of all non-consumers) and possession of a medical card (45%). A large proportion of non-consumers haven't thought about it or felt they didn't need PHI at this time.
- Over one-third (35%) of all non-consumers said they would never take out PHI and these were more likely to be from older age-groups with medical cards.

- When asked what would encourage ownership of PHI, a significant minority of non-consumers appeared to be waiting to take out PHI at some later date, i.e. when they get older (16%), if they got sick (8%), when they got married (5%) or when they decided to have children (5%).
- Approximately 6% of all respondents to the consumer survey previously held private health insurance and had allowed their policies to lapse. These previous consumers cited reasons of cost (49%), possession of a medical card (28%) and the fact that they were previously covered through their parents (22%) and/or a work policy (21%).
- Factors that would prompt previous consumers to take out private health insurance again were if they had more money (29% of all previous respondents), when they got older (18%), if it were offered through their employment (18%) and/or if premiums were reduced (17%).
- Approximately 27% of all non-consumers intended to take out private health insurance at some stage in the future but only 4% indicated that it would be within the next three years.
- If a late entry loading concept was to be introduced in Ireland, only 16% of all non-consumers would be more likely to take out PHI sooner rather than later.

Chapter Eight: Employer Survey

- Approximately 87% of large employers indicated that they operated a private health insurance scheme within their organisation.
- A single health insurance provider was offered in approximately 72% of large employers thus limiting the opportunity to switch provider once a member of the scheme. QUINN was the only supplier in 8% of large employers, VHI was the only supplier in 61% of large employers and VIVAS was the only supplier in 3% of large employers. QUINN, VHI and VIVAS were all offered together in only 6% of large employers.
- Approximately 57% of large employers contributed all (or some) of the cost of private health insurance for their employees. The remaining 43% of large

- employers only administered the scheme and allowed the employee to pay the cost of PHI themselves.
- Approximately 68% of large employers reviewed the provision of private health insurance at least once every 2/3 years. Large employers who contributed all/some of the cost of PHI were more likely to review the provision of PHI more frequently.
 - Approximately 15% of all large employers have switched their main health insurance provider and an additional 27% of large employers have considered it.
 - Although 60% of large employers indicated that an employee can switch insurer at any time, once a member of the company scheme, employees were not inclined to switch insurer. This was confirmed during the in-depth interviews.
 - The majority of large employers (84%) operating private health insurance schemes agreed that PHI was an important benefit for employees and 76% of these employers agreed that they should promote the ownership of PHI among employees.
 - The majority of large employers (95% of employers who operated a PHI scheme and 79% of employers who did not) agreed that the importance of having private health insurance has increased in recent years.
 - From the in-depth interviews, the front line contact for employees was usually a payroll manager who facilitated or inhibited the addition of a second or subsequent health insurance provider. If the payroll manager was reluctant to set up a new provider account the status quo will be maintained unless employees insisted on change.

Chapter Nine: Key Market Trends and Market Segmentation

Each of the following comments are based on the responses to common questions appearing on the 2002, 2005 and 2007 consumer survey:

- The level of private health insurance ownership has remained at a similar level of approximately half of the Irish adult population.

- Affordability and possession of a medical card continue to be the two main reasons why non-consumers do not have PHI.
- A growing proportion of non-consumers appeared to be putting off taking out private health insurance until they are older and more likely to need it.
- A growing proportion of previous consumers were members of their parents' policy and/or work scheme but are no longer covered now.
- An increasing proportion of non-consumers have indicated a time-frame when they are likely to take out private health insurance.
- The introduction of late entry loadings into the Irish private health insurance system would encourage fewer non-consumers to take out private health insurance sooner rather than later.
- A growing proportion of all consumers claimed to be fully aware of cover provided through their private health insurance policy and consumers were more satisfied with their level of understanding (regardless of level of awareness).
- The proportion of policies on which a claim has been made has remained relatively constant at approximately 60% of all current policies.
- Consumer satisfaction with the following attributes of private health insurance has increased across the three surveys.
 1. Current range of products and services offered by your insurer.
 2. The level of cover provided by your private health insurance plan.
 3. The customer service you receive from your private health insurer.
 4. The level of Out-patient/Non-Hospital cover on your plan.
 5. The quality of information and advice you receive from your private health insurer explaining your cover and benefits.
 6. The overall value for money of your private health insurance.
- The level of complaints made to insurer has remained very low and is only 1% of all consumers in 2007.
- The proportion of consumers to have switched insurer has remained at approximately 10%.

- The main reason why consumers switched insurers continues to be cost but there was some evidence of switching being influenced by the withdrawal of BUPA from the Irish private health insurance market.
- Consumers who switched their private health insurance to another insurer continued to be very satisfied with the changeover process and new insurer.
- It appears that switchers would be more inclined to switch again than other consumers if financial, or other, gains could be made.
- A similar level of non-switchers have considered switching but have not yet done so (13%).
- The primary (and growing) reason why consumers have never switched was because they were satisfied with their current insurer.
- The main factor that would encourage consumers to switch from their current insurer continued to be cost savings.
- The proportion of consumers who were aware that an additional waiting period need not be served when switching to a comparable plan with another insurer remained at 60%.
- The threshold percentage increase in premium at which consumers would discontinue cover has fallen, i.e. more consumers would consider discontinuing cover if premiums increased by 20%.
- Other than premium increases, the main factors which would lead consumers to discontinue cover continued to be if level of cover deteriorated, if service levels deteriorated or if they lost their job.
- A decreasing proportion of consumers felt that recent increases in premiums were appropriate given the costs of treatment and service.
- A growing proportion of all respondents had at least some awareness of the Health Insurance Authority.

