

Health Insurance Authority to make recommendation to Minister for Health on Risk Equalisation by end April '04**- Significant differences in risk profiles will prompt HIA recommendation on whether funds should be transferred between private health insurers**

The independent regulator for private health insurance in Ireland, the Health Insurance Authority (HIA), announced today (Monday, 16th February 04) that it has completed an important stage in the process of assessing the need for a Risk Equalisation Scheme (RES) in the private health insurance market.

In a statement, the HIA confirmed that all health insurers required to do so have made their statutory RES returns by the due deadline. These returns included a breakdown of insurers' memberships by age and gender. The HIA has analysed these returns using criteria laid down in the relevant legislation; this analysis will help to determine whether or not funds will be transferred between private health insurers.

It is a requirement of the Risk Equalisation Scheme 2003 that insurers make returns to the HIA. Insurers involved in the RES scheme were required to provide details of membership and claims figures for the six months to end December, 2003. From its initial analysis of those returns, the HIA has established that the current level of risk difference between health insurers is above 2% and below the 10% threshold. Between these parameters, the HIA is required under the legislation to make a recommendation to the Minister for Health and Children as to whether or not risk equalisation payments should be commenced.

"The HIA's mission is to produce the best possible outcome in the interests of all consumers of private health insurance in Ireland and the Authority will make its recommendation on that basis," said Mr Dermot Ryan, Chief Executive, the Health Insurance Authority.

The HIA will undertake further analysis of the returns over the coming weeks and will then form a preliminary view of the recommendation it will make to the Minister. The HIA is then required to give notice to insurers of the recommendation that it proposes to make and to allow them 21 days to make representations. After considering those representations, the HIA will come to a final view in relation to its recommendation and forward its report to the Minister before the end of April, 2004.

The HIA has carried out extensive preparations for the risk equalisation process and has carefully considered how best it can reach a decision. In 2003, the HIA published research into consumer behaviour and attitudes and undertook comprehensive research into competition in the private health insurance market.

"One important finding of the research was that it appears many consumers never consider switching insurers and this is partly due to a lack of understanding among members of the public of their rights and of the differences between products" said Dermot Ryan. Recently, the HIA published a comparison of products in the market as well as other documents outlining consumers' rights and providing assistance in selecting health insurance products. These documents are aimed at addressing the consumer knowledge deficit and facilitating competition in the market.

The RES legislation states that the best overall interests of health insurance consumers includes the need to maintain the application of community rating across the market and to facilitate competition between insurers. The Authority recognises that the introduction of risk equalisation payments might be justifiable in a community rated market. However, the HIA will need to consider the effect that such an introduction would have on the overall interests of consumers, including the need to facilitate competition between insurers.

If the HIA recommends to the Minister that risk equalisation payments should not be commenced, then payments may not be commenced. If the recommendation in the report is that risk equalisation payments should be commenced, then the Minister has 60 days to decide whether or not to accept the recommendation. If the HIA recommends the commencement of payments and if the Minister decides to follow this recommendation, payments between insurers could commence in Spring 2005.

ENDS/

Note to editors on Risk Equalisation

More information in relation to risk equalisation, and the HIA's overall role as the private health insurance regulator, can be found at www.hia.ie.

In accordance with the principle of community rating, insurance companies must be non-discriminatory in the premiums that they charge. This means, for instance, that premiums cannot be altered with respect to factors such as age and sex. It is expected that insurers with younger, healthier consumers will pay out less in claims than those whose members have an older, less healthy profile. Risk equalisation is a process that aims to neutralise differences in insurers' costs due to variations in the health status of their members.

If risk equalisation payments are commenced, therefore, they will be made from insurers with younger healthier customers to insurers with older less healthy customers.
