

Media Release – for immediate publication

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HIA publishes first Risk Equalisation report and recommendation

The Health Insurance Authority (HIA) has today (14 May 2004) published its first report and recommendation in relation to the Risk Equalisation Scheme (RES) for private health insurance (PHI). The RES came into effect on 1st July 2003.

Under the RES, three private health insurers (BUPA Ireland, Vhi Healthcare and the ESB Staff Medical Provident Fund) made returns for the period 1 July to 31 December 2003. Following a significant deliberative process that included widespread consultation, in depth research, detailed analyses of the returns and other data, and consideration of representations from the insurers, the HIA submitted a report to the Minister for Health and Children on 28 April, 2004. The report included a recommendation from the HIA that RES payments should not be commenced at this time. As a result of the HIA's recommendation, Risk Equalisation payments may not be commenced at this time.

In its first RES report, the HIA recommends that, having regard to the best overall interests of health insurance consumers, including the need to maintain community rating across the market for health insurance and to facilitate competition between undertakings, the Minister for Health and Children should not, at this time, exercise his powers under Article 13 of the Risk Equalisation Scheme (which relate to the commencement of Risk Equalisation payments).

The HIA made this recommendation for the following reasons:

- There is insufficient evidence of a threat to market stability.
- The value of the MPEA*, in the context of the level of premium paid in the market and the number of consumers in the market, is low. This is also reflected in the value of the MEP**. As a result, the potential benefits that could accrue for health insurance consumers directly from the transfer of funds would appear to be small.
- In this context, the potential benefits of commencing RES payments at this time are outweighed by uncertain competitive consequences, which could arise.

The HIA's recommendation was made in the context of the evidence currently available to it. This recommendation should not be understood as an indication that the HIA will not, in the future, recommend the commencement of RES payments. The HIA remains of the view that, in the appropriate circumstances, the best overall interests of health insurance consumers in a community rated market could be served by the commencement of risk equalisation payments.

The full report submitted to the Minister and other information relating to the Risk equalisation Scheme are now available on the HIA website www.hia.ie.

The HIA will make a further RES assessment later this year following receipt of returns from insurers for the period 1 January, 2004 to 30 June, 2004.

Ends

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Editor's Note:

**The MPEA (Market Positive Equalisation Adjustments) represents the amount of the transfer that would have been paid in respect of the 6 month period if risk equalisation were in force and no phasing applied to payments.*

***The MEP (Market Equalisation Percentage) is equal to the MPEA divided by the total MEB (Market Equalised Benefits). The MEB total represents the amount of benefit that is subject to risk equalisation that was paid by undertakings in the 6 month period.*