Health Insurance Authority Consultation Paper on Minimum Benefit Regulations in the Irish Private Health Insurance Market

Response of QUINN-healthcare to the HIA's Consultation Paper
13th September 2010

1) Executive Summary

- QUINN-healthcare supports and agrees with the use of minimum benefit regulations to protect inter-generational solidarity and community rating in the market, to ensure the availability of standard cover within the market and to protect consumers against under insurance risks.

- QUINN-healthcare believes that the publishing of the Health Insurance Authority's Consultation Paper on Minimum Benefit Regulations in the Irish Private Health Insurance Market (the Consultation Paper) can act as a means of commencing engagement with the stakeholders in the private health insurance market in order to collaboratively improve the current minimum benefit regulations.

- QUINN-healthcare established a cross-team working group made up of customer facing team members, claims and provider experts, information specialists and actuaries to prepare its response to the Consultation Paper.

- The maintenance of a sustainable health insurance market requires that regulators balance measures to protect consumers with the implications that these measures have for consumer premiums. If minimum benefit regulation amendments result in higher consumer premiums, it may put Private Medical Insurance (PMI) beyond the reach of many customers in these recessionary times, putting greater pressure on the public health system. Younger insured members will be driven from the market which will impact the intergenerational solidarity goal of the minimum benefit regulations.

- Minimum benefit regulations should not restrict an insurer's ability to negotiate and obtain the best market prices for health services for its members.

- The minimum benefit requirement to cover semi-private accommodation fully within public hospital charges should be amended. In order to control premium inflation, regulations should be drafted that permit insurers to apply shortfalls to public hospital charges. The implementation of such measures is an important step to avoid the threat that public hospital fee increases poses to the stability and sustainability of the private health insurance market.

- In the absence of any minimum benefit regulations requiring it to do so, QUINN-healthcare currently provides cover for primary care and screening services within the vast majority of its products. Direct payment mammogram centres are covered, as are breast checks, cervical and prostate cancer screening services. QUINN-healthcare is actively engaged in chronic disease management pilot exercises with leading health services providers. The outcomes of the pilot exercises will be used to design the best chronic disease management solutions for private insurance consumers.

- Private health insurers are providing cover for primary care and chronic disease management services in a manner that is sustainable and that benefits their customers. Any regulatory interference from a primary care policy perspective needs to ensure that an insurer's right to choose health service providers, as well as its right to determine appropriate medical setting for treatment, are maintained.

- Health policy driven changes to encourage the use of more cost-effective primary care health services should not require private health insurance consumers to face premium increases.

- Any minimum benefit regulations need to work with EU law.

2) Minimum Benefit Regulations Amendment – Important Considerations

The purpose of minimum benefit regulations

- According to the Health Insurance Authority's (HIA), "given the complex and specialist nature of private health insurance products, in the absence of regulation there is a risk that consumers could be sold policies that do not provide a sufficiently comprehensive level of cover."[1]

- According to the Consultation Paper, the key purpose of the minimum benefit system is "to maintain inter-generational solidarity within the community rating system; to ensure the continued availability of the type of broad hospital care cover traditionally held as a minimum by the insured population; to ensure that individuals do not significantly under-insure due to lack of proper understanding of the restrictions which, in the absence of a specified minimum entitlement, could apply to some types of policies".[2]

- As such, minimum benefit regulations are designed to:

    - protect intergenerational solidarity and community rating
    - ensure the availability of standard cover within the market and
    - protect consumers against under insurance risks

- Minimum benefit regulations play an important part in protecting consumers in the Irish health insurance market by ensuring that consumers obtain a minimum level of health insurance cover no matter what product they purchase.

- The regulations should be reviewed and updated on a regular basis to reflect changes in accepted medical best practice (as noted below, insurers' schedules of benefits are reviewed and updated on an annual basis and could be used to provide the basis for maintaining minimum benefit regulations).

[1] http://www.hia.ie/regulation/minimum-benefit.htm
[2] Health Insurance Authority, "Consultation Paper on Minimum Benefit Regulations in the Irish Private Health Insurance Market", July 2010, pg 4

Balancing consumer protection with consumer premium increases

- Any amendments made to minimum benefit regulations should balance the need to protect consumers to ensure that they are treated fairly on one hand while avoiding the imposition of upward pressure on consumer premiums on the other hand. This is an important challenge for those drafting regulation amendments in the current economic climate, a challenge which QUINN-healthcare hopes to support through consultation exercises and discussions during formulation of any proposed minimum benefit regulation amendments.

- The risks any proposed regulation amendments pose to products offering entry-level cover should be examined prior to their introduction. These products are designed to meet current minimum benefit regulations. These are the products held by thousands of insured persons who have purchased or downgraded PMI cover to lower levels in order to remain within the PMI market. Increases in minimum benefit payment levels may result in premium increases due to the increased minimum cover being included within these entry-level cover products. Premium increases would push more vulnerable or price-sensitive consumers out of the PMI market altogether, forcing them to rely on the public system for their health care needs. As these insured members tend to be relatively young and healthy, any measures that cause their exit from the PMI market directly affect intergenerational solidarity, community rating and market sustainability, and should be avoided.

- Amendments to the existing regulations that would introduce entirely new categories of minimum cover (or require significant extensions of existing categories) should also balance consumer protection considerations with the costs of underwriting the extended cover. A significant extension of minimum benefits will drive costs of insurance higher across an insurer’s portfolio of products. This will result in higher premiums for all customers, leading insured members to downgrade their cover. Good-risk consumers who can no longer afford private health insurance will leave the PMI market completely, ultimately increasing demands on public health services. Any significant extension to minimum benefits may also require insurers to consider reduction in cover within existing products in order to control the costs of these products. Neither option – premium increases nor cover decreases - benefits consumers.

- The Consultation paper refers to the extension of minimum benefits to include drug fees. Drug fees are currently already covered by per diem rates in public hospitals and do not need separate cover. An entirely new category of minimum cover, such as for drugs, would result in the premium increases described above and affect the stability of the market. Indeed, cover for drug fees caused significant challenges for our largest competitor in the 1980s.

- Before significant costs are passed onto private health insurance consumers through increases to minimum benefits, a real consumer protection threat should be established. Minimum benefit regulation amendments should not be formulated for the benefit of providers or insurers.

Insurers must be able to obtain the best prices for their members

- Minimum benefit regulation amendments should not prevent insurers obtaining best prices for services for their members in the market place. In so far as an insurer's bargaining power is restricted by minimum benefit regulations, the regulations ultimately increase cost of health insurance for consumers.

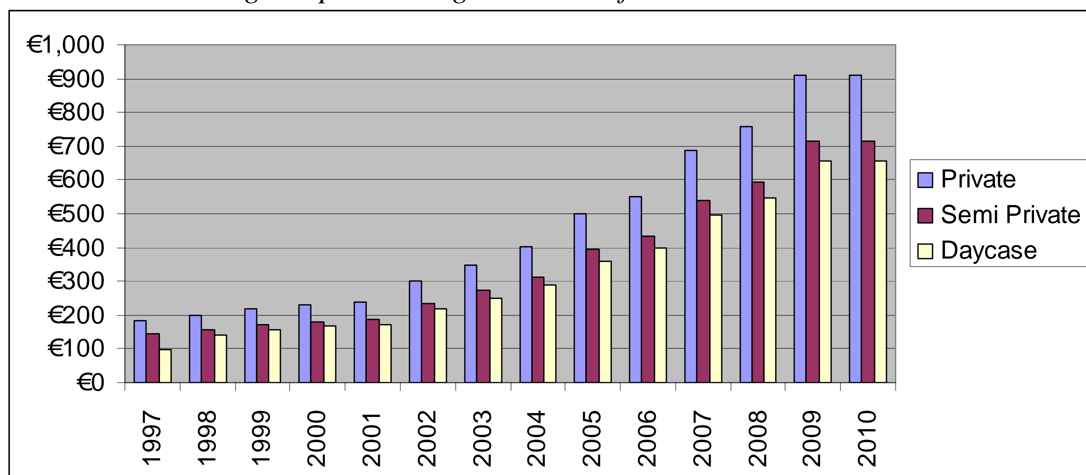
Minimum benefits and public hospital fee increases

- Public teaching hospital per diems have increased by almost 500% since the introduction of minimum benefit regulations (with the semi-private per diem rate for teaching hospitals increasing from €143 in 1997 to €713 in 2010, a 497% increase).

- Public regional hospital per diems have increased by 400% in the same period (with the semi-private per diem rate for regional hospitals increasing from €122 in 1997 to €488 in 2010).

- The scale of per diem rate increases in public hospitals means that today's public hospital per diem rate charges (charges for private inpatient and day services within public hospitals) exceed the costs of inpatient and day services within most private hospitals in the Irish market. In 2010, QUINN-healthcare has been successful in agreeing price holds or price reductions from consultants and private hospitals. But insurers are forced by minimum benefit regulations to pass the increasing cost of these public hospital services to their members via increased premiums. Along with the Health Insurance Levy introduced in 2009, public hospital per diem rate increases are currently the primary drivers behind increased private health insurance premium costs.

Public Teaching Hospital Charge Increases from 1997 to 2010



- The minimum benefit requirement to cover public hospital semi-private accommodation fully should be amended. In order to control premium inflation, regulations should be drafted that permit insurers to apply shortfalls to public hospital charges. The implementation of such measures is an

important step to avoid threats that public hospital fee increases pose to the stability and sustainability of the private health insurance market.

- If public hospital shortfalls are not implemented within minimum benefits and if public hospital per diem levels are increased further, private insurers may be compelled to control costs by removing private hospital cover from their products, directing insured members for private treatment in public facilities.

Minimum benefits and primary care

- In the absence of minimum benefit regulations requiring it to do so, QUINN-healthcare provides cover for primary care and screening services within the vast majority of its products for its customers. Direct payment mammogram centres are covered, as are breast checks, cervical and prostate cancer screening services. QUINN-healthcare is actively engaged in chronic disease management pilot exercises with leading health services providers. The outcomes of the pilot exercises will be used to design the best chronic disease management solutions for private insurance consumers.

- Private health insurers are providing cover for primary care and chronic disease management services in a manner that is both sustainable and that benefits their customers. Any regulatory interference from a primary care policy perspective needs to ensure that an insurer's right to choose health service providers, as well as its right to determine appropriate medical setting for treatment, are maintained.

- Minister Harney has clearly identified the importance of using primary care health services to achieve improved cost control:

  > *"International evidence is that people's best health can be achieved much more cost-effectively by a greater emphasis on primary care services, in order to avoid hospitalisation or prolonged stays in hospital."*[3]

  One way of ensuring that appropriate, cost-effective care is provided to insured consumers is to ensure that minimum benefit regulations encourage the use of the most cost-effective, medically appropriate setting for treatment. Regulations should not require that more expensive treatment options be utilised where an acceptable alternative exists within a more cost-effective, primary care setting. Where care pathways appropriately recommend the use of step-down care as an alternative to acute care settings, or the movement from step-down care to primary care or home based treatment settings, minimum benefit regulations should not prevent such best practice treatment options. Insurers should be free to determine appropriate settings for treatment based on medical best practice guidelines.

[3] Kildarestreet.com, Department of Health and Children, 22nd June 2010

- Any minimum benefit amendments being considered to support Department primary care policy that do not in turn deliver more cost-effective health care services for private health insurance consumers should not be implemented.

- Minimum payment levels for procedures that can be performed in a range of settings, including primary care settings, could be capped at the primary care rate to encourage the use of primary care services.

- QUINN-healthcare is in favour of utilising primary care facilities where we have the opportunity to negotiate with the facilities to ensure that clinical standards are met while obtaining the best possible price for our members.

- The setting of payment levels for health services should be accompanied by the requirement that services are provided to the appropriate quality standards. Best outcomes are achieved for health insurance consumers when health services are provided to appropriate quality standards. Recognition of a health service provider's compliance with international accreditation standards or their performance as assessed by the HSE HealthStat service should be clearly included in minimum benefit regulations.

- The Department of Health and Children's primary care policy cannot be achieved through private health insurance minimum benefit regulations amendment alone. Minister Harney identified the importance of cost-effective allocation of public resources and benefits to the successful implementation of primary care policy:

  > *"we in Ireland are going to develop both the eligibility rules for public benefits and the minimum benefits regulations for health insurance. Both of these, together, should be aligned towards the objective of better primary care and much better and more cost effective chronic disease management.*
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  > *Clearly therefore, this updating of eligibility goes beyond GP services for holders of the medical card and the GP Visit Card. It is driven, again, by health outcomes and the best, most cost-effective allocation of both public and private resources that are available."*[4]

  The provision of public health services in support of Department primary care health policy is clearly a most important part of the solution. As is evident in the health insurance market currently, there is limited capability for private health insurance consumers to pay for any additional public policy driven premium increases without driving the same members out of the private health insurance market onto the public system.

[4] Source – Department of Health and Children, Address by Minister Harney, April 2010

3) Response to Consultation Paper Questions

Q1 Which services should be included in Minimum Benefit Regulations, or alternatively, how should the benefits to be included in Minimum Benefit Regulations be determined?

QUINN-healthcare produces a detailed schedule of benefits which describes the consultant and GP services and fees covered by its product suites. The schedule is reviewed on an annual basis. During these reviews, changes in medical practices within the market are considered by a clinical team and cover is introduced, amended or removed as is appropriate. Fees are agreed for the services. In recent years, the appropriate setting for certain procedures have been re-designated from inpatient settings to day-patient or to outpatient surgical settings (in line with industry trend of movement towards appropriate primary care settings for certain courses of treatment on the basis of changes in accepted medical practice and through the implementation of established technologies).

Services to be included in minimum benefit regulations can be derived from the detailed schedules of benefits, supported by consultation with insurers.[5]

As noted above, the impact that any proposed amendments to the regulations may have on consumer premiums needs to be considered. Amendments should be designed to protect consumers within the market rather than insurers or providers. Amendments should not adversely impact an insurer's ability to negotiate best prices for their members.

Q2 At what levels should minimum payment levels be set, or alternatively, how should minimum payment levels be determined?

Minimum payment levels should be set at a level that fairly offers consumer protection safeguards to the market. In an attempt to protect consumers who have purchased entry-level products, minimum payment level amendments should not lead to premium increases for the same customers. Significant extensions of minimum benefit payment levels and included services across all products in the market should be avoided if the intention of the amendment is to protect health insurance consumers and intergenerational solidarity in a sustainable PMI market.

Minimum benefit regulations should not restrict efficient negotiations and cost control exercises within the PMI market. Payment levels should not be set at levels that artificially benefit either insurers or health services providers. Levels should enable negotiations to take place so that fair prices are set for consumers' health services.

Minimum payment levels could be set based on the market rates being obtained for services. QUINN-healthcare is prepared to provide its own data to assist with the derivation of fair minimum payment levels for its customers in consultation with the Health Insurance Authority (HIA) or the Department of Health and Children.

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[5] VHI Healthcare recommended that minimum benefits be set at a benefit treatment and facility basis in line with the detailed schedules contained in the 1996 Minimum Benefit regulations in their 2004 response to the Health Insurance Authority. See sections 3.1 and 3.2, pages 9 and 10 of VHI Healthcare's "The Role of Minimum Benefits within Private Health Insurance", June 2004

It is important that suitable limits are set as to the portion of market rates to be included as a minimum benefit payment, to ensure that consumers are treated fairly while also avoiding premium increases for consumers.

Alternatively, the schedule of benefits procedure listing could be used to define the list of procedures that are to be covered by the regulations. A maximum shortfall amount payable by insured members for health services could then be set in the regulations that would apply to all procedures. Insurers could choose to apply no shortfall, a partial shortfall or the entire maximum shortfall within each product. Products could then be priced and marketed accordingly. Insured members would at all times be covered for the cost of procedures which exceed the maximum shortfall to protect the insured person against under insurance.

A shorter list of medically necessary, non-cosmetic core procedures could also be considered as an alternative way of ensuring that core minimum cover is provided by all insurers.

Q3 What measures are necessary to ensure that the list of services remain up to date with medical developments?

The regulations should be reviewed and updated on a regular basis to reflect changes in accepted medical best practice. As noted above, insurers' schedule of benefits are reviewed and updated on an annual basis. These schedules can provide the basis for maintaining minimum benefit regulations, in conjunction with consultation exercises with stakeholders in the market.

Q4 How should provision be made for future changes in the cost of medical services?

Changes to the minimum benefit regulations should be considered for inclusion if they will help to protect intergenerational solidarity in the market place, if they will ensure the availability of standard type cover in the market and if they will protect consumers against under insurance. An exercise based on schedules of benefits could be considered, supported by consultation with stakeholders. The intergenerational solidarity challenges posed to the market by minimum benefit driven premium increases should be avoided. Restrictions on an insurer's ability to negotiate best prices for their customers should also be avoided.

Q5 Should excesses on claim benefits be provided for explicitly in the Regulations? In particular, should there be limits on excesses?

Insurers have developed product shortfalls based on minimum benefit regulations in relation to private hospitals as a means of offering their customers access to providers at the best possible prices. The minimum benefit requirement to cover semi-private accommodation fully within public hospital charges should be amended. In order to control premium inflation, regulations should be drafted that permit insurers to apply shortfalls to public hospital charges. The implementation of such measures is an important step to avoid the threat that public hospital fee increases poses to the stability and sustainability of the private health insurance market.

If set at the right levels, limits on excesses can act to protect consumers. Care needs to be exercised if introducing or revising excess levels so that they don't result in premium increases for consumers.

Q6 Should the manner in which minimum payment levels are specified be simplified, and if so, how?

Approaching minimum payment level cover from the detailed treatment and facility perspectives of the current regulations ensures that a comprehensive and specific assessment is performed for prescribed health services. It allows appropriate treatment settings to be reviewed on a procedure by procedure basis. It allows changes in medical practice for specific treatment options to be reviewed and amended at a granular level. Working at a detail level reduces the risk of ambiguity that may arise if a more general approach were to be taken. Insurers and providers work on a day-to-day basis with schedules and contracts that reflect these detailed procedure and treatment listings.

We've noted above an alternative option based on the application of maximum shortfalls to the current market rates of the detailed schedule of benefits, as well an alternative based on a shorter list of core, medically necessary procedures.

Q7 What are your views on the possible approaches for simplifying the specification of minimum payment levels referred to earlier?

The current impact of setting minimum benefit levels at the amount charged by public hospitals is discussed above. This approach has had a significant inflationary impact on consumer premiums. Any additional premium inflation in the current economic climate should be avoided. Simplification measures that undermine an insurer's ability to negotiate the best prices within the market for their members should be avoided. Minimum benefit regulations should protect the consumer rather than the insurer or the provider.

QUINN-healthcare would welcome the opportunity to work with the relevant authority to agree an appropriate mechanism for specifying minimum payment levels that promote economic efficiencies.

Q8 How should recent developments in healthcare and healthcare policy (including with regard to primary care and chronic disease management) be reflected in Minimum Benefit Regulations?

In the absence of minimum benefit regulations requiring it to do so, QUINN-healthcare provides cover for primary care and screening services within the vast majority of its products. Direct payment mammogram centres are covered, as are breast checks, cervical and prostate cancer screening services. QUINN-healthcare is actively engaged in chronic disease management pilot exercises with leading health services providers. The outcomes of the pilot exercises will be used to design the best chronic disease management solutions for private insurance consumers. Private health insurers are providing cover for primary care and chronic disease management

services in a manner that is both sustainable and that benefits their customers without being compelled to do so by minimum benefit regulations.

Any regulatory interference from a primary care policy perspective needs to ensure that an insurer's right to choose health service providers, as well as its right to determine appropriate medical setting for treatment, are maintained. Minimum benefits should not prevent insurers from utilising primary care services over acute inpatient services. They should not result in premium increases for consumers.

Clearly, recent healthcare developments and healthcare policy discussions (including primary care and chronic disease management) reflect the public health nature of these issues. The benefit of investing health funds in these measures appear to be gained in the medium to longer term. The benefits of investment for health insurers is somewhat less clear in a market where members purchase annual contracts and are permitted to switch insurers freely mid-contract. It would be unsustainable if any regulation amendments resulted in an abdication of public health service responsibility for these important public health considerations through a transfer of costs and responsibility to the private sector, costs which private insured members clearly cannot afford. The adverse implications for the market and intergenerational solidarity that would result from such changes have been noted above.

Q9 Which primary care and chronic disease management services should be covered by Minimum Benefit Regulations and to what extent?

Please see response to Question 8 in relation to inclusion of primary care benefits and chronic disease management in Minimum Benefit regulations

Q10 Do practical issues arise with respect to including primary care benefits in Minimum Benefit Regulations? How could such issues be addressed?

Please see response to Question 8 in relation to inclusion of primary care benefits and chronic disease management in Minimum Benefit regulations

Q11 What are the other consequences of including primary care and chronic disease management in Minimum Benefit Regulations?

Please see response to Question 8 in relation to inclusion of primary care benefits and chronic disease management in Minimum Benefit regulations

Q12 A significant requirement of the current Regulations relates to private care in public hospitals. Should the Regulations provide for a possible reduction in private services in public hospitals, if so how?

The increase in the cost of private care in public hospitals since the introduction of minimum benefits is described in section 2, above. Minimum benefit regulations do require insurers to treat public and private hospitals differently. There is a risk that these differences offer incentives to insurers to provide treatment in one hospital sector over another as a result.

The minimum benefit requirement to cover semi-private accommodation fully within public hospital charges should be amended. In order to control premium inflation, regulations should be drafted that permit insurers to apply shortfalls to public hospital charges. The implementation of such measures is an important step to avoid the threat that public hospital fee increases poses to the stability and sustainability of the private health insurance market.

Any amendments in minimum benefit regulations must not restrict negotiations, must not contribute to premium inflation, and must not remove an insurer's ability to select providers of health services or an insurer's ability to determine the appropriate setting for treatment based on medical best practice.

Q13 How should the Minimum Benefit Regulations recognise the interaction of private healthcare provision in public hospitals with provision in private hospitals and other private provision?

Any amendments in minimum benefit regulations must not restrict negotiations, must not contribute to premium inflation, and must not remove an insurer's ability to select providers of health services or an insurer's ability to determine the appropriate setting for treatment based on medical best practice.

Q14 How do the current Minimum Benefit Regulations impact on the economic efficiency within the health insurance and private healthcare markets?

The implications of the difference in treatment of private and public hospitals in Schedule A of the regulations have been noted in section 2, above.

In a market where consumers are struggling to stay on private health insurance cover, and downgrading their cover to do so, minimum benefit regulations have had direct implications for the cover and price that can be offered to members for entry-level products. Insured members on these products are most vulnerable to changes in product pricing.

For standard levels of cover, the current minimum benefits do not pose economic efficiency challenges from a cover and claims management perspective. Care needs to be exercised by those drafting minimum benefit amendments to ensure that the vast majority of insured members in the market do not receive higher private health insurance bills in return for minimal practical benefits of any amendments.

Q15 What impact would you expect the amendments discussed in this paper to have on economic efficiency within the health insurance and private healthcare markets?

The risks to intergenerational solidarity have been noted in some detail above. Any amendments in minimum benefit regulations must not restrict negotiations, must not contribute to premium inflation, and must not remove an insurer's ability to select their providers of health services or an insurer's ability to determine the appropriate setting for treatment based on medical best practice.

Q16 Do you consider that some changes to the Minimum Benefit Regulations are warranted in order to achieve more economically efficient provision of private health insurance or private healthcare, while providing the best healthcare outcome? If you do, please describe the changes that you consider are warranted.

More frequent reviews of minimum benefit regulations should be performed to ensure that up-to-date medical best practice and clinical opinion form the foundation of minimum benefit regulations. Specific measures to link minimum benefit payment levels to appropriate quality standards, measures to permit short-falling of public hospital fees and measures limiting minimum benefit payments levels to primary care rates have been noted above.

Q17 Do you consider that amendments to the Minimum Benefit Regulations are required in respect of maternity, psychiatric, addiction related or step-down nursing home care?

Any amendments in minimum benefit regulations must not restrict negotiations, must not contribute to premium inflation, and must not remove an insurer's ability to select providers of health services or an insurer's ability to determine the appropriate setting for treatment based on medical best practice.

It is important that these services are provided in appropriate facilities. Psychiatric services should be provided in facilities approved by the Mental Health Commission. Step down facilities should also be approved by the HSE.