

April, 2005

Ms Mary Harney TD
Tánaiste and Minister for Health and Children
Department of Health and Children
Hawkins House
Hawkins Street
Dublin 2

Dear Tánaiste,

I refer to my letter of 15 March, 2005 (copies enclosed) setting forth the proposed recommendation of The Health Insurance Authority (“the Authority”) in relation to risk equalisation, in accordance with the provisions of the Health Insurance Acts 1994 – 2003 (“the Act”) and the Risk Equalisation Scheme, 2003 (“the Scheme”).

You will recall that the Scheme stipulates that the Authority shall evaluate returns made to it under the Scheme and determine the Market Equalisation Percentage (“the MEP”) for the particular period under consideration. Further, it is provided for in the legislation that where, as a result of its evaluation and analysis, the Authority determines the nature and distribution of risks among registered undertakings, as expressed in the Scheme by the MEP, to be not less than 2% and not more than 10%, the Authority is required by the Scheme to make a recommendation to you. By letter of 15 March, 2005 to registered undertakings, the Authority set forth for the benefit of those undertakings, the fact that it had analysed carefully the most recent statutory returns made to it under the Scheme and conveyed that, on foot of those returns and the analysis thereof, the Authority was provisionally minded to recommend to the Minister the commencement of risk equalisation payments.

Pursuant to the statutory consultation process set forth in the Act, a number of registered undertakings duly submitted detailed representations to the Authority in relation to the proposed recommendation. These are analysed in considerable detail in the Staff Report, which is compiled for the benefit of the Members of the Authority. **Much of that material is strictly confidential and commercially sensitive to one or more particular registered undertakings and others.** We have now added to that Staff Report, the full text of the representations of the registered undertakings, but interlined within those, in blue font,

comments by the Staff of the Authority upon those representations. This was considered by the Members of the Authority in making their recommendation.

The issue of whether the Authority ought to recommend the introduction of risk equalisation payments is a complex one and has required very careful consideration and analysis by the Authority. It is not a uniquely mathematical exercise but rather requires the bringing to bear of the judgment of the Members of the Authority. Having considered this most carefully, the Members have decided to confirm the provisional recommendation. Accordingly, I hereby convey that it is the recommendation of the Authority that you exercise your powers to commence risk equalisation payments in accordance with the statutory time frame appended to the Staff Report.

Article 10 of the Scheme, made pursuant to Section 12 of the Health Insurance Act, 1994, provides that:

“...the Authority shall inform the Minister whether he/she ought or ought not, as it considers appropriate having had regard to the best overall interests of health insurance consumers, to exercise his/her powers under Article 13 [*to commence risk equalisation payments*]. The Authority’s report shall contain the reasons for the recommendation provided.”

The Authority has reached its decision to make its recommendation to the Minister for the reasons set forth in the Staff Report, which have commended themselves to the Members of the Authority. In reaching that conclusion, the Members of the Authority have also had careful regard to the representations made by the registered undertakings and to the countervailing arguments made in the Staff Report. The Members have reached their decision on balance in the light of all of the factors and, weighing these factors carefully, ultimately driven by what they determine to be in “the best overall interest of health insurance consumers”.

Accordingly, this letter, together with the copy of the letter dated 15 March, 2005 to registered undertakings setting forth the proposed recommendation and the Staff Report (subject only to the deletion referred to in this paragraph), which has now been augmented in the light of the filing with the Authority of the representations by registered undertakings, constitute the Report of the Authority to the Minister. The only part of the Staff Report that has been withheld, is a short part that details the identities and proposed strategies of potential new entrants. This is in accordance with the Authority’s policy in relation to potential new entrants.

In accordance with the provisions of the Scheme, the Report of the Authority must be filed with the Minister for 14 days before it may be made available to registered undertakings. The Authority proposes to make the Report available to registered undertakings following the expiry of the 14 day deadline, but having deleted from such communications to registered undertakings, confidential or commercially sensitive information, as appropriate. In other words, it would be a redacted version of this Report but made available otherwise on as full a basis as possible.

This letter is written on the specific authority of the Members of the Authority and in the light of their approval of it and the attachments to it.

The executive of the Authority are available to the Department if that were considered of assistance.

Yours sincerely,

Dermot Ryan
Chief Executive/Registrar

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