



An tÚdarás Árachas Sláinte
The Health Insurance Authority

RISK EQUALISATION SCHEME
INSPECTION OF REGISTERED
UNDERTAKINGS FOR THE
PERIOD 2020

Background

The Health Insurance Authority ('the HIA') has today published the findings of its Risk Equalisation Scheme inspection carried out in 2021 for the period 2020. The HIA is responsible for effectively monitoring the compliance of registered undertakings with the Health Insurance Acts and accompanying regulations and taking measures to secure such compliance.

The Health Insurance (Amendment) Act 2013 provides the legislative basis for the Risk Equalisation Scheme and the Risk Equalisation Fund ("the Fund"), the mechanisms used to implement and support Community Rating in the Irish health insurance market. The HIA is responsible for administering and maintaining the Fund. The registered undertakings submit risk equalisation credit claims to the HIA on a monthly basis. These credits include the Risk Equalisation Premium Credit ('REPC'), Hospital Utilisation Credit Overnight Basis Credit ('HUCO') and the Hospital Utilisation Day Case Basis Credit ('HUCD'). REPC is payable to the registered undertakings in respect of insuring older people. This credit varies by age, gender and level of cover of the contact held by the insured person. This credit applies to those aged 65 and over. HUCO and HUCD are payable to the registered undertakings for each night/day that an insured person spends in private hospital accommodation. Once satisfied, these risk equalisation credits claimed are correctly due to a registered undertaking, the HIA arranges payment of the due amount from the Fund. Payments made in 2020 related to REPC and HUC credits totalled €741 million.

The HIA inspected the three registered undertaking, VHI Insurance DAC, Elips Versicherungen AG and Irish Life Health DAC's compliance with the Health Insurance Act (Risk Equalisation Scheme) Regulations, 2013 (S.I No.70 of 2013). These Regulations prescribe the methodology and submission of Interim and Annual Risk Equalisation Scheme Claims ("RES claims") to the HIA for assessment and review.

Scope

The inspection examined the adequacy, design and operating effectiveness of the controls in place over the registered undertakings processes regarding the REPC, HUCO, HUCD and the RES Claims to identify any weaknesses in the current processes that may lead to the submission of inaccurate RES claims by the registered undertakings to the HIA. The approach used to carry out the inspection included obtaining and reviewing relevant policies and procedures and identifying the key controls within the process. A walkthrough of the procedures and controls was carried out, and these controls were tested to demonstrate their operation. Substantive tests were also performed, on a sample basis, of REPC, HUCO and

HUCD transactions to verify the accuracy of the RES claims and evaluate whether the RES claims had been recorded correctly by agreeing the data to the underlying records.

Findings

The HIA found that the three registered undertakings have appropriate policies, procedures and controls in place in respect of REPC, HUCO and HUCD claims made to the Risk Equalisation Fund. The HIA is satisfied that these procedures have been designed so as to ensure adequate segregation of duties, with the RES claims undergoing various financial control checks and stages of review prior to authorisation and submission to the HIA. The HIA found these checks and reviews to be both appropriate and thorough.

Notwithstanding these positive control findings, the HIA has identified a number of findings where the application of policies were not consistent with the regulations and subsequent recommendations as a result of the inspection. The areas of particular concern identified are as follows:

1. HUCO incorrectly claimed on a hospital located outside the State

The inspection identified that one registered undertaking had a discrepancy on the HUCO substantive testing. HUCO was claimed on a hospital located outside the State. Hospital in-patient stays in facilities located outside the State are not eligible for HUCO and HUCD under the Health Insurance Act.

The HIA recommended a review of their system to ensure only hospitals eligible for HUC are included in the RES claims and future interim claims should be adjusted with any discrepancy found in this review.

2. HUCD incorrectly claimed on a clinic not eligible for HUCD

The inspection identified that one registered undertaking had claimed HUCD for an insured person outpatient's treatment in a clinic. This clinic is not classified as a hospital as no in-patient services are currently available in such a clinic. Section 6A(1) of the Health Insurance Act, 1994 (as amended) defines hospital utilisation credits as *"the relevant amount payable from the Fund in respect of each hospital stay (whether on an overnight accommodation or day case basis) in private hospital accommodation, on or after 31 March 2013 if the stay is on an overnight accommodation basis and on or after 1 March 2016 if the stay is on an overnight accommodation or day case basis, by a person who is an insured person under a health insurance contract effected for any period commencing on or after the date concerned"*.

The HIA recommended a review of their system to ensure their hospital listing that informs the data for making RES claims comprises of only hospitals that are eligible for the claiming of HUCO/HUCD. Future interim claims should be adjusted with any discrepancy found in this review.

3. Underclaim of HUCO on Fixed Price Procedures

Under section 6A(1) of the Health Insurance Act, HUCO may be claimed from the Fund for each night of accommodation an insured person stays in private or public hospital accommodation. The HIA found that one registered undertaking currently only claims one HUCO for inpatient stays in certain private hospitals, where the insured undergoes a Fixed Price Procedure, regardless of the number of nights actually reimbursed by the registered undertaking to the private hospital. The registered undertaking is also not claiming HUCO from the Fund with respect to any additional nights of hospitalisation outside of the contracted nights agreed in the Fixed Price procedure.

The number of nights reimbursed by the registered undertaking to the private hospital in respect of Fixed Price Procedures should match the number of nights claimed in HUCO from the Fund. The HIA recommended the registered undertaking devise and implement an IT solution to address this issue of claiming one HUCO per Fixed Price Procedure prospectively. Also, the HIA recommended a retrospective review of all Fixed Price Procedures claimed since the introduction of HUCO to ascertain whether the HUCO that has been claimed from the Fund is accurate and complete.

Update on Prior Year Findings

The HIA requested a breakdown of any adjustment claims made in 2020 related to prior inspection findings as part of this inspection. An adjustment claim was reviewed regarding a 2019 finding on the underclaiming of HUCD whereby only one HUCD had been claimed for a series of radiotherapy treatments. The HIA detected three discrepancies in the samples tested, as HUCD and HUCO were claimed for these three samples. The registered undertaking was requested to perform a second review of the dataset to identify any other instances of this occurring. This review was performed, and a refund to the Fund was submitted of €13k. Another adjustment reviewed by the HIA related to the claiming of HUCO from the Fund when HUCD should have been claimed in relation to a patient attending a hospital daily for treatment. The testing performed during the inspection did not identify any further issues, and the HIA considers this matter fully addressed.

Next Steps

These findings were issued to the relevant registered undertakings in January 2022. A resolution is now in place regarding finding 1 and 2, and a refund was made to the Fund of €262k. Regarding finding 3, the HIA is engaging directly with the registered undertaking, and a specific timeline for resolution has been agreed upon.