AN BILLE ÁRACHAIS SLÁINTE (LEASÚ), 2014
HEALTH INSURANCE (AMENDMENT) BILL 2014

EXPLANATORY MEMORANDUM

Background

The Health Insurance Acts 1994 to 2013 provide the statutory basis for the regulation of the health insurance market in the interest of the common good. At the centre of the common good in a community-rated health insurance market is intergenerational solidarity between all insured persons. Community-rated health insurance systems across the world use risk equalisation as a mechanism to distribute fairly some of the differences that arise in insurers' costs due to the differing health status of all their customers.

Under the Health Insurance (Amendment) Act 2012 a permanent Risk Equalisation Scheme (RES) in the Private Health Insurance Market, was introduced with effect from 1 January, 2013 which replaced an Interim Scheme of Age-Related Tax Credits/Levy introduced in 2009. The Risk Equalisation Scheme aims to ensure that, in the interests of societal and intergenerational solidarity, the burden of the costs of health services is shared by insured persons by providing for a cost subsidy between the more healthy and the less healthy, including between the young and the old.

The scheme operates by providing risk equalisation credits at source (based on age, gender and level of cover) — that is, the cost of the policy is reduced by the amount of the applicable credit. In turn, the registered undertaking (insurer) will submit a claim to the Health Insurance Authority for reimbursement of the credit from the Risk Equalisation Fund (REF), on behalf of qualifying policy holders. This mechanism provides that health insurers receive higher premiums in respect of insuring older and less healthy people, but these people, through their insurer, receive risk equalisation credits equal to the amount of the additional premium so that all people continue to pay the same amount for a given health insurance product (*adjusted to reflect any loadings applicable under Lifetime Community Rating*). In this way community rating is maintained but insurers receive higher premiums in respect of higher risk members, to partly compensate for their higher level of claims. In addition, a hospital bed utilisation credit is payable from the REF in respect of each hospital stay involving an overnight stay (as defined in the Act), by an insured person whose insurance contract was effected on or after 31 March 2013.

The risk equalisation scheme is funded by a stamp duty, collected by the Revenue Commissioners and transferred to the REF. There are four rates of stamp duty, depending on the level of cover provided (advanced cover or non-advanced cover) and whether the insured life is a child or an adult.

The stamp duty rates and risk equalisation credits were previously amended by the Health Insurance (Amendment) Act, 2013.

Objects of Bill

The main purpose of the Bill is to specify the allowable rate of net premium payable in respect of young adults, to provide for the transfer of an insured person from a restricted membership undertaking to another registered undertaking without the application of any additional initial waiting period, to specify the amount of risk equalisation credits in respect of age, gender and level of cover that is payable to insurers from the risk equalisation fund from 1 March 2015, to specify the amount of the hospital bed utilisation credit applicable from 1 March 2015, and to make consequential amendments to the Stamp Duty Consolidation Act 1999 to revise the stamp duty levy required to fund the risk equalisation credits for 2015. In addition, some technical amendments to the Health Insurance Acts are also included.

Section 1 defines the Principal Act as the Health Insurance Act 1994.

Section 2 amends Section 7 (5)(*b*)(i) of the Principal Act. The proposed amendment will provide for a sliding scale of young adult rates for health insurance premiums up to and including age 25 and will remove the requirement to be in full time education or to be dependent on the policy holder. A new subsection 5A provides that where a health insurer proposes to offer young adult rates it shall offer the full range of rates within the specified bands.

Section 3 amends Section 7A of the Principal Act. The Regulations to provide for Lifetime Community Rating (LCR) take effect on 1 May 2015. Thereafter 'late-entry loadings' will apply for those aged 35 and over (set at 2% per year) who have not bought health insurance by then, up to a maximum loading of 70% at age 69 and over (periods of up to 13 weeks without cover will be allowed without affecting loadings). This amendment clarifies that the obligation on insurers to impose lifetime community rating loadings as provided for in the Health Insurance Act 1994 (Determination of Relevant Increase under section 7A and Provision of Information under section 7B) Regulations 2014 is mandatory, by replacing "may" with "shall" and by clarifying in subsection 3 that the obligation to require the payment of 'late-entry loadings' is subject to the regulations signed into law on 7 July 2014.

Section 4 amends subsections 8(3) and 8(5) and deletes subsection 8(6) of the Principal Act. The additional provisions proposed in 8(3) and amendment of 8(5) are made to clarify that people transferring from one health insurance policy to another health insurance policy, either with their existing or a different insurer, are not required to serve additional waiting periods other than those applying to an upgrade in cover. Section 8(5) is also amended to provide for the transfer of served waiting times for people transferring from restricted membership undertakings to open market insurers, without the application of any additional initial waiting period. Subsection 8(6) is consequently deleted.

Section 5 amends section 11c of the Principal Act to provide for 1 March 2015 as the effective date for revised Risk Equalisation credits to be payable from the Fund.

Section 6 amends Schedule 3 to the Principal Act to provide for the revised amount payable from the REF in respect of the hospital bed utilisation credit in relation to health insurance contracts renewed or effected from 1 March 2015.

Section 7 replaces Table 2 in Schedule 4 to the Principal Act with effect from 1 March 2015 whereby the applicable risk equalisation credits payable from the REF in respect of certain classes of insured persons are revised.

Section 8 amends section 125A of the Stamp Duties Consolidation Act 1999 to specify the applicable stamp duty rates for (i) 1 January to 28 February 2015 and (ii) 1 March 2015 onwards.

Section 9 provides for the short title, collective citation and construction of the Bill.

An Roinn Sláinte,
Samhain, 2014.

Wt. —. 615. 11/14. Clondalkin. (47980). Gr. 30-15.