An tÚdarás Árachas Sláinte
The Health Insurance Authority

29 May 2020

Mr Aileen Fallon,
Clerk to the Committee,
Special Committee on Covid-19 Response,
Leinster House,
Dublin 2,
D02 XR20

Special Committee on Covid-19 Response.

Dear Ms Fallon,

I refer to your letter of 25 May 2020. The Health Insurance Authority welcomes the opportunity to provide a written submission to the Committee on the role of private hospitals in the Covid 19 emergency.

Please find a copy of the submission enclosed.

Yours sincerely

Sheelagh Malin
Chairperson

Encl:

File Ref:

The Health Insurance Authority submission to the Special Committee on Covid-19 Response

29 May 2020

1 Executive Summary

2.3m people have private health insurance in Ireland (46% of population). It finances 30% of hospital care and the latest available CSO Health accounts estimate that it accounts for 92% of financing for private hospital care. It is a voluntary health insurance system and everyone in Ireland has the same entitlements to public hospital care.

The most recent HIA consumer survey found that there continues to be a strong belief that private health insurance allows people to skip queues (64%) and ensures they receive a better level of service (62%). It is also deemed a necessity, not a luxury by nearly six in ten (58%).

In the lead-up to the takeover of private hospital operations by the HSE, the Health Insurance Authority was heavily involved in discussions with the main private health insurers to ensure that they, at all times, complied with their obligations under the Health Insurance Acts and that they develop consistent, coherent and transparent approaches to address Covid-19 related issues as they impact on policyholders' reasonable expectations. The HIA has made it clear that, during the pandemic, insurers will be expected to be as accommodative as possible if/when policyholders have financial difficulties and wish to defer/ adjust premium payments. The HIA will monitor events at the end of the three-month initial period of the private hospital/ HSE contract to ensure premium rebates continue if the contract is extended.

The agreement between the state and private hospitals has a significant impact on health insurance consumers. The HIA have had a significant number of complaints from consumers mainly relating to the inability to use the benefits as set out under their health insurance contracts and the cancellation/ postponement of scheduled surgeries with no alternative date being given. A sample of these complaints is included in the Appendix to this paper. It has led to consumers questioning the value of their health insurance contracts. The average premium of €1,186 in 2019 is a material cost for many, with families paying a combined premium of a few thousand euro. Cancelling policies for a period of more than 13 weeks has significant consequences for consumers in terms of cancellation fees, life time community rating loadings to future premiums and waiting periods of up to 5 years due to a break in cover.

Following the temporary state take-over of private hospitals, they are currently greatly under-utilised for a number of reasons compared to their utilisation before the Covid-19 crisis. Many hospital consultants are also doing very little if any surgical work. If the take-over was to last longer, many consumers will consider that they would be better off cancelling their policies, given that, currently, the health insurance policy benefits are effectively very small compared to their entitlement to treatment in the public hospital system and many consumers will continue to suffer a fall in their income for quite a while.

Younger, healthier, consumers are much more likely to cancel their policies first and this raises the potential for a "death spiral". The health system shock is occurring alongside an unprecedented economic shock to the country. In these circumstances, the Authority is concerned that there could be a near collapse in the health insurance system. The Authority considers that a situation should be avoided where the costs to the health system and Irish society might be far greater than the benefits.

In the context of the Covid virus crisis, the Authority considers that a more reasonable alternative would be to return private hospitals to standard practice, and allow for 'renting' of beds at a reasonable cost in the event of a second peak in the virus. The public hospital system doesn't need any private hospital capacity to cope with a second wave of the virus, only with a second high peak.

2 Private Health Insurance Market and Healthcare Financing in Ireland

2.1 Irish healthcare system

The healthcare system in Ireland has developed over several decades into the system that we know today. The system is considered by many to be a two-tier system, where public and private sectors co-exist and there is a high degree of overlap between the sectors. The funding of Ireland's healthcare system comes primarily from Government sources, with significant contributions from out-of-pocket payments and voluntary private health insurance.

The private healthcare system may be seen as more adaptable when it comes to meeting demand. The private hospital system is almost entirely funded from private health insurance claim payments.

The Irish healthcare system operates on a mixture of public and private funding and provision, which is not unusual in an international context. However, what is unusual is the degree of overlap between the public and private elements of the system. This mixed system has come into sharp focus with the key recommendations of the SláinteCare report by the Oireachtas Committee on the Future of Healthcare in 2017, which is a greater separation of the public and private elements of the system. The HIA acknowledges that SláinteCare has cross-party approval and that, within that model, private health insurance may ultimately fulfil a different role with different regulatory supports. However the HIA is of the view that any such transition should be carefully planned over a number of years and carefully consider the fair treatment of health insurance consumers.

2.2 Health Expenditure in Ireland (CSO Health Accounts 2017)

According to CSO figures, Ireland's health expenditure was €21.1 billion in 2017. Set out below is a summary from the CSO Health Accounts which shows total health expenditure, health expenditure in hospital and the proportion funded by private health insurance:

Health Accounts 2017 (€m)	Health Expenditure Hospitals	Total Health Expenditure Financed by Voluntary Insurance**	Total Health Expenditure	% of Total Health Expenditure Financed by Voluntary Insurance
Inpatient Curative & Rehabilitative Care	4,641	1,439	5,336	27%
Day Curative and Rehabilitative Care	1,423	543	1,577	34%
Outpatient Curative & Rehabilitative Care	1,314	122	4,193	3%
Long-Term Care (Health)	92	0	4,469	0%
Ancillary Services	311	139	593	23%
Medical Goods (Non-Specified by Function)	30	0	3,074	0%
Governance and Health Administration and Financing*	0	424	625	68%
Other	43	11	1,263	1%
All Current Health Care Expenditure	**7,854**	**2,678**	**21,130**	**13%**

Source: CSO Health Accounts 2017
**In addition, there is also considerable amounts of management and administrative spending included under other items.*
*** Includes Restricted Undertakings which account for c. 4% of private health insurance expenditure.*

The table above illustrates the role of health insurance in Irish healthcare in broad terms. Insurance accounts for approximately 30% of the financing of hospital care (and considerably more for elective hospital care). On the other hand, health insurance is not significant in financing any other substantial category of healthcare including primary care. An important part of acute hospital care is the A&E service, which is almost entirely provided by public hospitals and is not financed by health insurance (it is only when patients elect to be private when they are admitted to hospital from the emergency department, that private health insurance financing comes into play). Health insurance finances a considerable proportion of diagnostic activity, like scans, which are illustrated in the table in the "ancillary services" item. While outpatient benefits are a relatively high-profile part of health insurance policies, they account for a small proportion of total claims on insurance and a very small proportion of health expenditure financed by insurance. It should also be noted from the table, that spending on both public and private hospitals (including non-clinical spending in hospitals) accounts for just 37% of total health expenditure in Ireland. Another feature of the table is that the very substantial non-clinical spending in hospitals (e.g. managerial, administrative, clerical, maintenance and upkeep) is not classified under governance and health administration but is instead included under the different categories of healthcare.

2.3 Public Healthcare System

All Irish residents are entitled to receive healthcare in the public healthcare system, which is governed by the Health Act 2007[1] and managed by the Health Service Executive ("HSE"). The HSE which was established under the Health Act 2004, as a new body to be responsible for providing health and

[1] As revised by the Law Reform Commission and updated to January 2019

personal social services to everyone living in Ireland. As outlined in the Health Act 2004, the objective of the HSE is to "*use the resources available to it in the most beneficial, effective and efficient manner to improve, promote and protect the health and welfare of the public"*.

The public healthcare system is mostly funded by the Irish Government out of taxation. Individuals may be required to pay fees for certain healthcare services such as attending an Accident and Emergency department without a referral. While some primary care services are provided by the public sector, especially for children, a wide range of primary care is not provided.

For people who otherwise cannot afford to pay for healthcare treatment, a Primary Care Reimbursement Service Scheme exists covering medical cards and GP visit cards. In 2018, 32.4% and 10.4% of the State's population had medical cards and GP visit cards respectively.

Public hospitals in Ireland provide almost all emergency and child hospital care and all maternity hospital care. All public hospitals allow the option of private treatment, although some public hospital consultants are not allowed to provide private treatment under their contracts. However, the Sláintecare plan, involves the elimination of this private treatment.

In October 2017, the ESRI published a report *'PROJECTIONS OF DEMAND FOR HEALTHCARE IN IRELAND, 2015-2030 - FIRST REPORT FROM THE HIPPOCRATES MODEL'*. This report provides baseline estimates and projections of both public and private healthcare demand for Irish health and social care services for years 2015 – 2030.

The ESRI report notes that *"there have been considerable pressures on healthcare budgets since the economic crisis in 2008. This has resulted in reductions in bed availability in public acute hospitals, reduced public health sector staffing, increased out-of-pocket charges for access to healthcare and as a result increased waiting lists".*

The National Treatment Purchase Fund ("NTPF")., found that there are currently 553,434 outpatients on waiting lists as of December 2019. The analysis also identified that 171,897 of these outpatients will be waiting over 12 months.

The ESRI report also commented *"due to projected continued rapid population growth, demand for health and social care is projected to increase across all sectors in the years to 2030".*

2.4 Private Healthcare and Private Health Insurance

In addition to the public system, there is also a large private healthcare market and a significant voluntary health insurance market.

Individuals who opt for treatment in private hospitals are liable to pay the full cost of treatment and maintenance, which is largely financed through private health insurance plans that cover care in private hospitals.

The CSO estimates that, in 2014, private health insurance accounted for 92% of private hospital financing, with the remainder accounted for by out-of-pocket payments (5%), other voluntary payments (2%), and government financing (1%). Insurers mostly reimburse private hospitals based on negotiated fixed price rates for surgical and diagnostic procedures. In contrast to reimbursement for private care in public hospitals, which are based on per diem rates that differ between room designation and hospital type and are determined by Ministerial Regulation. The use of private

hospital services and privately-financed hospital care has traditionally been supported by public subsidisation through tax relief on private health insurance premia. Subsidisation may also take place indirectly through the training of private medical staff in the public system and employment in private system.

2.5 Evolving role of health insurance in Irish healthcare

Private health insurance in Ireland provides indemnity insurance against unforeseen and potentially financially serious consequences of ill health which require acute intervention or care. The private health insurance system was formally inaugurated in 1957 with the Voluntary Health Insurance Act, which was intended to fill eligibility gaps in public hospital cover for the more affluent sectors of Irish society. These eligibility gaps were closed in 1979.

The role of private health insurance in Irish healthcare has changed significantly since the time of the 1999 White Paper on Health Insurance. At that time, there were fewer private hospitals and more of the hospital elective care that was financed by insurance, was carried out in public hospitals. It should also be noted that the proportion of public hospital in-patient and day-patient curative and rehabilitative care that is accounted for by emergency admissions and discharges has increased significantly in the last twenty years.

Prior to the Covid virus crisis, capacity utilisation in public hospitals was close to 100% and waiting times for both consultations with public hospital consultants and following that for elective treatment can be very lengthy and in certain circumstances many months.

Therefore, the main role of health insurance in Ireland today is to finance private hospital elective treatment. Health insurance also fulfils two other significant functions:

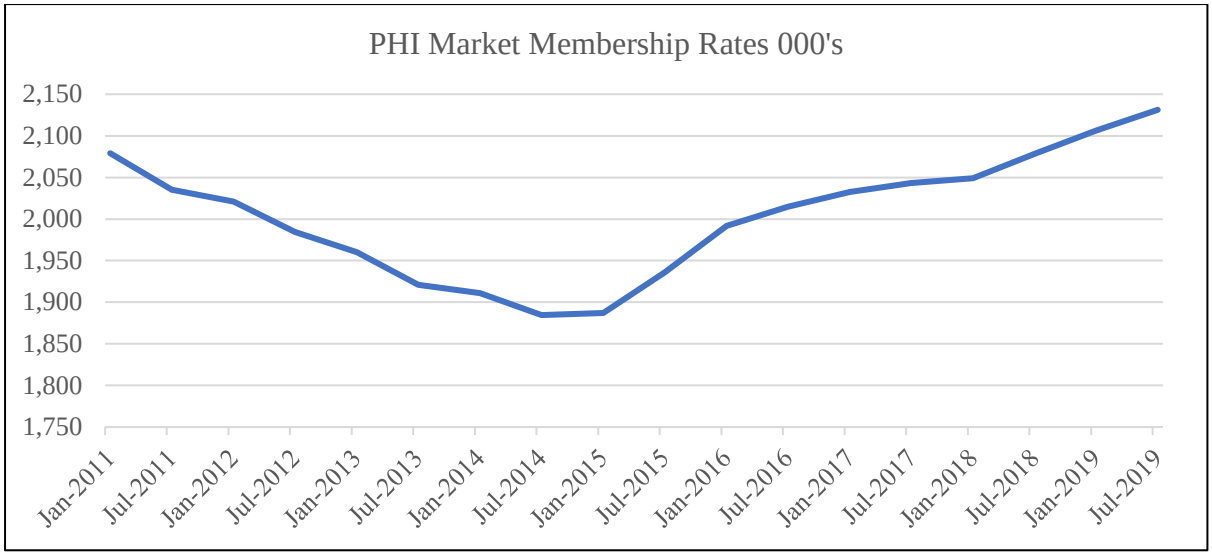
1. It provides most public consultants with a substantial source of income in addition to their public salaries; and
2. The health insurance system pays c.€500m to public hospitals, which is close to 10% of their operating costs in 2019.

The private health insurance system only has a minimal financing role in outpatient and primary healthcare. It has no role in long-term care, community care, preventative care or pharmaceutical and other medical supplies.

Private health insurance enables the insured to avoid the long waiting periods for consultation and elective treatment as a result of the above-mentioned capacity constraints in the public system. The 2019 HIA Consumer Survey on private health insurance stated that 64% of people purchase health insurance as they feel it enables them to skip queues.

The private health insurance companies in Ireland have developed many diverse health insurance plans, which vary considerably in terms of coverage and cost.

As noted, health insurance plays a prominent role in Ireland and as a result private health insurance membership has increased rapidly since 2015, as can be seen from the graph below:



Source: HIA Data

Private health insurance take-up in the population has been on a rising trend for decades, with membership peaking at 50.9% of the total population in December 2008. There was an interruption in the trend in the years 2009 to 2014 because of the unusually severe and protracted recession in the 2009 to 2012 period. In 2019, average membership was at 45.7% of the total population.

Ireland's private health insurance system is unique and doesn't match the typical characterisations of health insurance systems internationally. It mostly provides cover for hospital treatment, albeit all residents of the State are already entitled to access to care in public hospitals, subject to a daily statutory charge of €80 per day up to an annual maximum of €800 (applies approximately to two thirds of the population, or those without medical cards). Therefore, one cannot describe the health insurance system as "substitutive" using the standard terminology in health insurance analysis. It is closer to a "supplementary" system, although it doesn't fit with that description either.

It could be argued that some consumers of health insurance might have a different view, in that some may have a perception that health insurance has a bigger role in financing outpatient and primary care than it has. On the other hand, some non-consumers of health insurance might have a view that health insurance offers relatively limited benefits.

2.6 Health insurance payments for healthcare

- The open membership insurers[2] paid claims of €2,248m in 2019. This represents a 6% increase compared to total 2018 levels of €2,121m.
- Vhi Healthcare paid for 60% (by value) of total claims paid by open membership insurers in 2019.
- 88% of claims (by value) were included in the information returns[3] and can be divided into the following categories;

[2] Excluding the "restricted membership insurers that comprise 4% of the market.
[3] Statutory returns made by health insurers to the Health Insurance Authority

Returned Benefit	2018 €m	% of total returned benefits	2019 €m	% of total returned benefits
Private Hospitals	993	52%	1,070	54%
Public Hospitals	508	27%	471	24%
Hospital Consultants	398	21%	428	22%
Total	1,899		1,969	

The 12% of claims not included in the information returns comprised mainly claims for outpatient costs.

- As can be seen from the above table, the total amount of claims paid to public hospitals in 2019 was €471m compared to €508m in 2018. Most of the claims paid to public hospitals are in respect of people with health insurance that were admitted to public hospitals in an emergency after attending the Accident and Emergency Department.

2.7 Why People Take out Private Health Insurance?

The consumer survey in 2019, conducted by Kantar Millward Brown on behalf of the HIA, (*'A review of Private Health Insurance in Ireland, 2019'*) found at an overall level, there continues to be a strong belief that private health insurance allows people to skip queues (64%) and ensures they receive a better level of service (62%). It is also deemed a necessity, not a luxury by nearly six in ten (58%).

Among those with private health insurance, the main reasons given for having such insurance are that the cost of medical treatment/accommodation is high (mentioned by 40% in total), the standard of public services are inadequate (mentioned by 29%) and the perceived lack of access to public services (19%).

For those without private health insurance, price considerations are paramount (66% of those who never had private health insurance cited this, with 51% among those who have relinquished it). Even among those without private health insurance, there is a strong recognition (40%) that insurance is a necessity and not a luxury, suggesting that if they could afford it, they would purchase it.

A further reason people purchase private health insurance is the tax relief available on insurance premiums. Those who privately purchase insurance policies will automatically get tax relief on their premiums through a system called Tax Relief at Source ("TRS"). This system reduces the premium payable by the amount of tax relief due upfront, so consumers are not temporarily out-of-pocket nor have the hassle of claiming tax relief.

2.8 Overview of Key Providers

Private health insurance is currently provided by three companies in Ireland:

Insurer	Trading Name	History
Irish Life Health DAC	Irish Life Health	Aviva Health Insurance Ireland Ltd was acquired by Irish Life Group on 2 August 2016 and was renamed as Irish Life Health DAC.
Elips Insurance Ltd	Laya Healthcare	Quinn Insurance Ltd ceased writing new health insurance business with effect from 1 May 2012. At their renewal dates, Quinn Insurance's customers were invited to renew contracts with Laya Healthcare. Quinn Insurance Ltd (which entered administration) purchased BUPA Ireland in 2007. BUPA entered the Irish market in 1996 as the first competitor to VHI after VHI lost its statutory monopoly by virtue of the Health Insurance Act 1994. Laya Healthcare was acquired by AIG in 2015 and acts as an intermediary for healthcare products underwritten by Elips Insurance Limited, a subsidiary of Swiss Re.
Vhi Insurance DAC	Vhi Healthcare	Vhi Healthcare is the longest-established PHI provider and has the biggest market share by membership and premium income. It is state-owned. On 28th July 2015, the Central Bank of Ireland authorised Vhi Insurance DAC as a Non-Life Insurance Company and Vhi Healthcare Ltd as an Insurance Intermediary. The newly authorised entities commenced trading on 31 July 2015.

All three companies must provide health insurance, subject to statutory conditions intended to support intergenerational solidarity. There are also three "restricted membership undertakings" (RMUs – Garda Medical, ESB Staff Fund and Prison Officers) that provide full reimbursement style health insurance to their members and families and together comprise 4% of the market.

2.9 Who are the insured?

According to the consumer survey conducted by Kantar Millward Brown on behalf of the HIA in 2019 ('*Attitudes and behaviours towards switching within the Private Health Insurance Sector*'), those with health insurance are more likely to be from the more affluent white-collar workers/professional cohort (ABC1s), whilst those from more manual professions or reliant on state benefits are significantly less likely to have cover. The lowest income cohorts in society (i.e. those with medical cards) mostly do not have private health insurance.

For a voluntary system, Ireland has one of the highest levels of private health insurance coverage in the OECD, even though all State residents are entitled to public hospital care and this is included in private health insurance plans. The insured can avail of "private" health care, although a proportion of this private care is delivered in public hospitals. Historically, Vhi Healthcare has a much larger market share than Laya Healthcare and Irish Life Health and it continues to have a greater proportion of members and share of claims in the older age groups compared to the other insurers.

Insurance claims data shows that age groups of 60 and older are responsible for 63% of returned benefits whereas they are 22% of total insured. On average, age groups of 60 and older pay higher premiums despite community rating.

2.10 Health Insurance Plans

Health insurance in Ireland has become increasingly complex over the past ten years. As of the end of2019, there were 305 inpatient health insurance plans on the Product Register. This is a decrease of 31 plans since the end of 2018. Irish Life Health provide a slightly greater number of plans than Laya Healthcare or Vhi Healthcare. It is important to note that the level of benefits on offer and cost varies considerably amongst the different plans.

There are minimum benefit regulations in place so that consumers are not sold policies that do not provide a sufficiently comprehensive level of cover. The minimum benefit regulations are set out in Health Insurance Act, 1994 (Minimum Benefit) Regulations, 1996 [Statutory Instrument No. 83 of 1996].

The supplementary element of private health insurance in Ireland provides cover for hospital services, while the complementary element provides partial reimbursement of private fees for day-to-day medical expenses including, inter alia, visits to GPs, consultants, physiotherapists, opticians, dentists and alternative practitioners, as well as A&E charges. For the day-to-day benefits, insured persons usually pay out-of-pocket for the services and then claim back the partial reimbursement afterwards. This part of typical insurance cover is not covered by minimum benefit regulations and there is a very wide variation in the level of cover between different insurance products.

3 The Role of the Health Insurance Authority

The Authority is a statutory regulator of the private health insurance market. The Authority was established in 2001 under the Health Insurance Acts.

The Authority is independent in the exercise of its functions. The principal functions of the Authority as provided for in the Health Insurance Acts include the following:

- To monitor the health insurance market and to advise the Minister for Health (either at his or her request or on its own initiative) on matters relating to health insurance;
- To monitor the operation of the Health Insurance Acts (“the Acts”) and, where appropriate, to issue enforcement notices to enforce compliance with the Acts or take prosecutions;
- To carry out certain functions in relation to health insurance stamp duty and risk equalisation credits and in relation to the risk equalisation scheme;
- To take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them; and

- To maintain “The Register of Health Benefits Undertakings” and “The Register of Health Insurance Contracts”.

The Authority shall exercise such powers as are necessary for the performance of its functions. The Minister for Health may assign further responsibilities to the Authority as provided for in the Acts. The Authority is audited by the Comptroller and Auditor General and subject to the requirements thereof. The Authority is also subject to the corporate governance procedures of the “Code of Practice for the Governance of State Bodies” issued by the Department of Finance. The Authority is a public body to which the provisions of the Freedom of Information Acts and the Data Protection Acts apply.

4 HSE Takeover of Private Hospital Operations

During the weeks leading up to the takeover of all private hospital capacity in Ireland by the HSE for an initial period of three months, the HIA held numerous discussions with senior management in Vhi, Laya and Irish Life Health regarding the various options available to them to facilitate the difficult financial position many policyholders had found themselves due to the impact of C-19 on their employment. In addition, the emerging scenario whereby access to private treatment by consultants in private hospitals would not be available meant policyholders were paying for benefits they could no longer receive.

A DoH Consultative Forum (CF) meeting was held on April 1 between the DoH, HIA, CBI, and the three health insurers to discuss the implications for the private health insurance market of the pending public takeover of private hospital operations. While much operational clarity did emerge at the meeting some details remained of concern to the insurers (e.g. patients in private hospitals at transfer date/ private patients on treatment programmes/ fact that private treatment may still take place in public hospitals).

Following the CF meeting the insurers proceeded to collectively agree a ‘shared understanding’ of the expected impact on claims of the deal between the private hospitals and the Government - while being fully supportive of the need for such a move. It emerged, however, that each insurer had a unique customer-base profile (age, product type etc) and specific systems constraints. Consequently, any restructuring of policyholder premium payments during the C-19 pandemic would need to be insurer-specific. In addition, there were (and remain) legitimate concerns around the possibility of a major private treatment ‘bounce-back’ after C-19, as happened post-SARS in Singapore/ Hong Kong.

Notwithstanding the above considerations, the HIA made clear to the insurers that they must remain compliant with the Health Insurance Acts and, as far as consumer protection was concerned, they must develop consistent, coherent and transparent approaches to address the various C-19 issues from the consumer perspective.

Insurers should keep members up-to-date with the full list of benefits on their plans. For comparative data and the latest news in the sector, the HIA’s website is a good point of reference. While not being an advocate for health insurance, nor a broker, the HIA is mandated to make consumers aware of their rights and entitlements in their dealings with private health insurers.

The HIA is satisfied that that the insurers did, indeed, follow through on their commitment to support consumers at this difficult time. For the duration of the pandemic insurers are/ will be expected to be as accommodative as possible if/when policyholders are having financial difficulties and wish to defer premium payments. The HIA will monitor what happens at the end of the initial three-month period of the private hospital/HSE contract and ensure policyholder premium rebates continue if the contract is extended.

5 Consumer Impact and Reaction

One of the functions of the HIA under the health insurance acts is "to take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of the health insurance services available to them,". As part of this function the HIA have consumer advisors to assist consumers with questions and complaints they have on health insurance.

The average annual premium in 2019 paid by consumers was €1,186 and represents a substantial annual cost for individuals and families.

In April and May, the HIA have received over 40 complaints relating to the consequences of the deal between the HSE and the private hospitals.

The nature of these complaints mainly relates to:

- the inability to use the benefits as set out under their health insurance contract due to inability to access private hospitals and consultants, many feel this is a breach of contract
- the cancellation/postponement of scheduled surgeries with no alternative date being given

A sample of some of the actual complaints received are in included in the Appendix.

Each of the insurers have outlined their plans to provide some form of rebate to consumers for a 3-month period. However, many feel the scale of these rebates is insufficient given they are getting very little or no value from their health insurance plan and they do not know when they will be in a position to use their health insurance policy again.

For many cancelling their policy, even for a temporary period, has consequences. The health insurance market in Ireland is a community rated market with open enrolment. This means that the price you pay for health insurance increases with the age at which you enter the private health insurance market but does not vary in relation to your current age and does not vary regardless of risk factors e.g. health. This community rating system is funded by stamp duties payable in respect of each insured person by each insurer.

Furthermore, Lifetime Community Rating (LCR) encourages people to join the private health insurance market at a younger age and this will help in controlling premium inflation. Under the existing regime, no loadings apply to anyone who takes out health insurance before the age of 34. This initiative, and the facility to apply discounts for adults up to the age of 25, were designed to encourage younger people to join the market.

When a consumer purchases a contract, a stamp duty, currently €449 for an adult on an advanced product, is payable in full by the insurer to the Revenue at policy inception. This is subsequently paid into the Risk Equalisation Fund that is managed by the HIA and facilitates community rating. (Outgo from the fund is in the form of payments back to the insurers based on the age profile of their customers and the number of in-patient or day-patient hospital days claimed.) The Stamp Duties Consolidation Act, 1999 does not permit the insurers to claim a refund from the Revenue in the event of cancellation. Therefore, when a consumer cancels their policy before the end of their contract, the insurer will recoup the outstanding stamp duty which has not been collected. If a consumer cancels their policy after 6 months, they insurer will request a cancellation payment of €224.50 i.e. 50% of €449, for the remaining 6 months.

As well as the charges associated with cancelling, consumers also have to be mindful of life time community rating loadings and waiting periods. For those who lapse cover, LCR loadings may apply in the future if they don't reinstate cover within a 13-week period. Credited periods can apply for prior periods of cover subject to specific criteria as set out in legislation. The application of LCR loadings may disincentivise many from re-entering the market due to affordability. As an example, the LCR loading for a 50 year old taking out insurance with no credited periods would be 32% or, based on the average premium, an additional €380 payable for 10 years.

A lapse in cover of more than 13 weeks will also mean implications for waiting periods. For those who take out health insurance for the first time, there is a 26 waiting period before you can claim and a 5 year waiting period for pre-existing conditions. If you have had health insurance and then have a lapse in cover for more than 13 weeks, your waiting periods do not carry over. The insurer can impose the full new entrant waiting periods again. For those in poor health and with underlying conditions this can pose a significant risk.

Consumers are questioning the value of their health insurance but many out of fear of the unknown feel forced to continue and if they do not due to affordability or perceived lack of value may have high costs to pay in the future.

6 Conclusions and Recommendations

People need hospital treatment in two types of situations;

- in an emergency, when they are invariably treated in the A&E department of a public hospital
- A scheduled operation or other procedure, which the 46% of the population with health insurance mostly get done in private hospitals.

Scheduled operations or procedures in private hospitals for those with health insurance were all abruptly cancelled in March. Many others who were on a course of treatment have had it interrupted. A few of the most urgent cases have been admitted as public patients into a public or private hospital.

Private hospitals are currently greatly under-utilised for a number of reasons compared to their utilisation before the Covid-19 crisis. Many hospital consultants are doing very little if any surgical

work despite the relatively low number of consultants in Ireland compared to European averages and the long waiting lists for vital hospital treatment.

The 46% with health insurance are paying taxes and paying health insurance premiums but getting very little benefit from their premiums. In the short term, health insurers are giving rebates to consumers to partially compensate them for the loss of benefits on their insurance policies. However, this was only intended as a temporary measure for a three month state take-over of private hospitals. If the take-over was to last longer, many consumers will consider that they would be significantly better off cancelling their policies, given that, currently, the health insurance policy benefits are effectively very small compared to their entitlement to treatment in the public hospital system. An additional consideration is that a large proportion of health insurance consumers will be under huge financial pressure because they have been laid off work due to the virus lockdown or the income from their small business has stopped.

Younger, healthier, consumers are much more likely to cancel their policies first and this raises the potential for a "death spiral". Very quickly, the average age of health insurance consumers would get much higher and on average, remaining consumers would be less healthy. Therefore, the level of insurance claims would remain nearly as high as before all the younger people cancelled their policies but premium income would be much less, which would cause the insurers to increase prices substantially. But this in turn would cause even more people to cancel their policies, especially younger healthier consumers, which would lead to further price increases and further cancellations and thus a "death spiral".

The private hospital take-over is one unnecessary part of a sudden shock to the health system, which has left it performing much more sub-optimally than before the Covid crisis with greatly under utilised private hospitals and also many near idle consultants. The health system shock is occurring alongside an unprecedented economic shock to the country that will result in a fall of 10.5% of GDP in 2020 and a €30bn budget deficit with over a million either out of work or their businesses virtually closed. We also have a health shock to individuals. In these circumstances, the Health Insurance Authority is concerned that there could be a near collapse in the health insurance system. At the very least, a large proportion of consumers could lose faith with health insurance and may never return to the market.

The Authority is not aware of any assessment of the effects on consumer behaviour and the health insurance market or the financing of private healthcare that was carried out before the state take-over of private hospitals. The Authority considers that it would be much better to carry out a full evaluation and assessment of the impacts before deciding to prolong the takeover beyond the temporary three month period so that a situation could be avoided where the costs to the health system and Irish society might be far greater than the benefits.

In the context of the Covid virus crisis, the Authority considers that a more reasonable alternative would be to return private hospitals to standard practice, and allow for 'renting' of beds at a reasonable cost in the event of a second peak in the virus. The state has already increased capacity in public ICUs to account for a second virus wave and therefore would not need any capacity in private hospitals to cope with such. It is only if a second higher peak in hospitalisations occurred due to the Covid virus, rather than another wave, that would be a concern to the management of the hospital system.

Appendix A – Sample of consumer complaints

Consumer complaint received by the HIA on 22 May 2020

Dear Sir/Madam,

I am writing to you in relation to a spine fusion operation that was cancelled due to the takeover of the private hospitals in preparation for Covid 19.

I have paid a premium for my family to [redacted] years. My son's spine fusion is not available to him as his consultant has not signed the contract A and therefore has no access or state indemnity to operate.

My understanding as per a HSE Directive issued in April is that should my son try to get treatment he would now have to join the back of the queue behind the public patients scheduled for spine fusions and would not have any choice in the surgeon who would perform it. The added sting is that the waiting time for that operation would be off the scale.

As you might imagine I am very upset over this. My husband and I have made sacrifices down through the years to pay health insurance premiums so that our family could get timely treatment if we were ill. I agree with the reasoning behind the takeover but the modus operandi of blocking consultants from treating their private patients is in my mind is cruel and unethical.

My view is that [redacted] are in breach of their contract with me and I intend to get legal advice on the issue. I do not accept that a part refund of health subscriptions is in any way a compensation for loss of health cover or that it absolves [redacted] from their responsibilities in my contract.

My query is - what do you intend to do as a corporate body to highlight this injustice of lack of treatment options to over 2.2 million health insurance subscribers? I think that is incumbent on you to inform the general public of the loss of their health cover.

Complaint received by the HIA on 5th May 2020

Dear HIA team,

I am writing to you as we are in a terrible situation.

[redacted] was to perform a vertebrae fusion for my husband, [redacted] on the 18th March in the [redacted]. This was obviously cancelled as the HSE took control of the hospital for fear of an ICU deluge with COVID-19 in the public hospitals.

For the last few weeks I have been lobbying politicians and the HSE to see if I could get this urgently needed operation carried out by [redacted] for [redacted].

[redacted], a local TD was the only one who called me back and feels if we could figure out a way of getting [redacted] felt that would open ahead of Dublin?) and for the operation to happen there. [redacted] is very open to this plan.

However [redacted] has not accepted the terms of the HSE Type A contracts as being fair to his own patients and won't sign it. I asked the Acute Operations sections if they could review the case and

negotiate a Type b or SLA with [redacted] and as you can see in the last mail they suggested we get [redacted] to refer us to someone else.

I can't believe this head wrecking situation. We've paid for private care for many years and [redacted] have always been a great support. Can you help us in anyway?

Our pain management consultant, [redacted], [redacted], specifically referred us to [redacted] as he felt he has unique expertise in both ortho and neuro to perform the triple fusion with positive health outcomes [redacted] He would not refer us to anyone else.

When [redacted] saw us at the start of March he deemed the situation urgent and arranged for the operation very quickly. It was cancelled on the 16th of March and we have no hope of it being rescheduled.

(I attach the emails from the in HSE)

Please can you help us access correct care? Can you put pressure on the HSE to negotiate contracts that would allow [redacted] to continue care and clinical governance of his own patients as well as help with the HSE's own backlog.

I attach the mails with the HSE- as you will read [redacted] is in so much pain and it would be alleviated and corrected by [redacted].

Complaint received by the HIA on 23/04/2020

Dear Sir/Madam,

I just wanted to put in writing my concerns about the public take over of private hospitals.

This leaves insured patients with no access to their existing private consultants, if they have signed the Type A contract on offer.

Also, those with procedures or treatments already booked do not have certainty on when, if and by whom their treatment may take place.

Essentially, despite a rebate of some of their costs, insured patients, who have paid out over the years, are left with no access to their paid for healthcare.

This situation in unsatisfactory for many reasons.

If you wish to discuss please do not hesitate to contact me.

Complaint received by the HIA on 20th April

Hi there,

I would like to enquire how I make a formal complaint against [redacted]

[redacted]

[redacted]

It is my view that the system operated by [redacted] is unfair and penalizes those who make sacrifices to pay Health Insurance. I am a [redacted] and my monthly premium is 306 euro. This is a sizable amount of my monthly salary (about 20%). I opt for care in a private hospital not because I want special treatment rather I watched both my parents die in public hospitals while on long waiting lists for urgent care. I don't believe in private health care but reluctantly pay it in order to have access to treatment that was denied to my parents. I favour the risk equalization favoured in Ireland because of its somewhat fairness. I hope that if any good comes out of this pandemic it is that a fair and high level of healthcare will be available to all regardless of income.

I now pay for access to private hospitals and private consultants but none are available to me. I have tried to reason with [redacted] to no avail. I agree and support the Government's actions, what I disagree with is paying for a system of private healthcare that no longer exists. I am surprised that the Health Insurance Regulator has allowed this system to exist. If I now get sick or require care then I must use the public system (which I pay PRSI for). In short I pay for two systems but only one is available to me.

[redacted]

[redacted]

I would like to encourage you to investigate this matter more and raise this issue at National level.

[redacted] Sure a public campaign advising Health Insurance customers of their rights.

Kind regards,

Complaint received by the HIA on 18th April

Dear HIA,

Exactly what justification do you have for allowing insurance companies to remove full premiums from peoples' accounts in the month of April for a private health service that is non-existent? The date of 12 May, which certainly the [redacted] has agreed along with [redacted], means that they will be pocketing full premiums when there is NO private health service available in April. This is theft.

I look forward to a timely response.

Yours faithfully,