

# DÁIL ÉIREANN

## SELECT SUB-COMMITTEE ON HEALTH

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*Dé Céadaoin, 3 Nollaig 2014*

*Wednesday, 3 December 2014*

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The Select Sub-Committee met at 5.30 p.m.

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### MEMBERS PRESENT:

Deputy Robert Dowds,	Deputy Caoimhghín Ó Caoláin,
Deputy Peter Fitzpatrick,	Deputy Leo Varadkar (Minister for Health).
Deputy Billy Kelleher,	

DEPUTY CIARA CONWAY IN THE CHAIR.

**Health Insurance (Amendment) Bill 2014: Committee Stage**

**Vice Chairman:** I remind everybody to ensure their mobile telephones are switched off for the duration of the meeting as they cause interference with the broadcasting equipment, even when on silent mode.

This meeting has been convened to consider Committee Stage of the Health Insurance (Amendment) Bill 2014. I welcome the Minister for Health, Deputy Varadkar, and his officials to the meeting. The list of amendments has been circulated to members.

**Minister for Health (Deputy Leo Varadkar):** As Members will be aware from the Second Stage debate the main purpose of this Bill is to specify the risk equalisation credits and corresponding stamp duty levies on the rate of the hospital bed utilisation credit to apply from 1 May next year. Additionally, the Bill specifies the allowable rate of the net premium for young adults, provides for the transfer of an insured person from a restricted membership undertaking without the application of the additional waiting period and makes some other technical amendments to the Health Insurance Acts 1994 to 2013.

Section 1 agreed to.

SECTION 2

**Deputy Billy Kelleher:** I move amendment No. 1:

In page 4, line 31, to delete “1 May 2015” and substitute “1 February 2015”.

As what is proposed appears to be a good idea this amendment seeks that it be introduced earlier than proposed. It would make sense that it be brought in as soon as possible to try to assist in the evening out of the market in terms of the distortion that currently exists therein. Perhaps the Minister would outline the reason for its introduction on 1 May.

**Deputy Leo Varadkar:** I appreciate the sentiment of the amendment and understand from where the Deputy is coming in that regard. The idea is to abolish the step effect whereby when a person reaches 21, the cost of health insurance increases substantially, the result being that very often the person does not continue to pay for it or, if his or her parents are paying for it, they discontinue doing so. The date of 1 May was chosen for two reasons. First, we were told during consultations with the industry that administratively it would take some time to amend their computer systems and get everything in place. Second, the lifetime community rating loading comes into effect on 1 May. As such, we believed it made more sense to pick the same date to make both changes instead of requiring the industry to change its computer and administrative systems and pricings twice in the space of five months. Aside from being administratively complicated, it would have caused confusion.

**Deputy Billy Kelleher:** I will not make a statement of fact. There has been consultation with the industry, which is something for which I have always called. Is it not in the industry’s interest to try to delay the deadline for as long as possible? If the industry had its say, this would be delayed for even longer.

**Deputy Leo Varadkar:** Not entirely. This is discretionary and the industry is not required to do it. If it was mandatory, I would agree with the Deputy, but it is not. That said, this would make everything more straightforward. We will run a large campaign, led by the Health Insurance Authority, HIA, explaining the new changes to people in the early part of next year. It is

much easier to explain why things will change on one day than on two different dates.

**Vice Chairman:** Does Deputy Kelleher wish to press the amendment?

**Deputy Billy Kelleher:** I do not want to withdraw it but I will, as there is no point in pressing it.

**Deputy Leo Varadkar:** With any change, the industry must give the HIA 30 days' notice. This would create two administrative obligations where there only needs to be one.

Amendment, by leave, withdrawn.

Section 2 agreed to.

### SECTION 3

**Deputy Billy Kelleher:** I move amendment No. 2:

In page 4, after line 42, to insert the following:

“(c) by the insertion of a new subsection after subsection (1)

“(2) Any insured person who has paid a relevant increase over a continuous period of 10 years shall have their age of entry adjusted to 35 years if they continue to remain insured.”.”.

For a number of years, we have debated this matter in terms of lifetime community rating. We need to incentivise young people into the private health insurance market to stabilise it and ensure an important component that has become a buzzword phrase for us, namely, inter-generational solidarity. Anything that encourages younger people into the market is good.

If a 44 year old enters the health insurance market under the proposed legislation, he or she could carry a penalty for a long number of years. We believe that once a person has a policy for ten years or more, he or she no longer needs to carry the loaded penalty for entering the market at a late stage. We have always called for a penalty so as to ensure balance in the market, incentivise membership at an early age and subsidise older people, but carrying the loaded penalty for a long number of years seems too penal. We suggest that the time be limited to a maximum of ten years. The amendment is self-explanatory and probably worth consideration. While we want to incentivise young people into the market, we do not want to disincentivise entry at a later stage. If entry becomes too onerous, people will not enter.

This reverts to the issue of universal health insurance. If there is to be no universal health insurance, this penalty is necessary. If there is, however, then this penalty is superficial. It will stabilise the market for a number of years, after which we will have mandatory health insurance. That is the proposal. The more I look at it and read between the lines, or even read some of the lines, the indication is that this will underpin the insurance market for a number of years. We should try to get it right so that young people are incentivised to join and older people who take out health insurance, be it because they used to have insurance but could no longer afford it for a number of years because of the downturn in the economy or for some other reason, are not penalised. Should there not be a withering of the penalty?

**Deputy Leo Varadkar:** Section 3 amends section 7A of the Act and refers to the premiums that may be charged under health insurance contracts in certain circumstances. This section clarifies that the obligation on insurers to impose lifetime community rating loadings, as provid-

ed for in regulations signed into law on 7 July 2014, is mandatory. The proposed amendment will be considered as part of the review of the scheme provided for in the regulations, which will be carried out by the HIA in April 2017 after the scheme has been in operation for a time.

Deputy Kelleher referred to penalties, but I prefer to view them as back contributions for the lengths of time during which people did not make health insurance contributions. What he has proposed seems similar to what is done in Australia where, if one does not have health insurance until one is 40 years of age, one only pays the loading for ten years. This seems like a good idea, as people would not have to pay loading for the rest of their lives but, rather, only for eight, ten, 11 or 12 years, whichever is appropriate. This would not require primary legislation; it could be done by way of regulation. I am open to doing so, but I do not believe it needs to be done now. The issue does not arise now, as the measure has only just been introduced. In principle, though, it is a good idea and I would like to give it proper consideration in the context of the review in one or two years' time when the system is up and running.

**Deputy Billy Kelleher:** I do not want to delay the committee. Is the Minister asserting that the Parliament will not need to revisit this issue and that it can be done by way of regulation in the event of us finding it down the road to be an inhibiting factor?

**Deputy Leo Varadkar:** Yes. It can be done by way of regulation. As the Deputy stated, the objective is to encourage people to enter the health insurance market before they reach 35 years of age. It may transpire that they will not bother taking out health insurance because they do not want to pay the loading for the rest of their lives. Even if that is not the case, paying a loading for ten years may be enough.

**Deputy Billy Kelleher:** Let us consider this from a practical point of view. Many people want to have private health insurance but cannot afford it. Their circumstances may change but, by that time, they may be over 35 years of age. Even though they want to become involved, they will be penalised. The Minister called it a "back contribution", but it will cost them money either way. If it is just the case that regulation can change this measure, though, I will accept that.

**Vice Chairman:** Deputy Ó Caoláin may speak to the section.

**Deputy Caoimhghín Ó Caoláin:** I would like to speak to the amendment. A decision on it has not been taken yet.

As the Minister and Deputy Kelleher would know, this is an area for which I do not have any great passion, but the Deputy makes a compelling case. I can understand the logic of the case he makes. I would not buy the Minister's view that this is either retrospective, arrears or back payments. People did not have a benefit when they did not have insurance. One cannot retrospectively apply entitlement. If one were to view it in the way that the Minister describes, should we then be able to claim for hospital costs that we incurred over the period of years that we did not have the cover?

I agree that, for people joining late, it would be a disincentive if the penalty were to apply for life. That simply would not be tenable. While it is Deputy Kelleher's call as to how he proposes to proceed with his amendment, there is no certainty in what the Minister says about looking at this issue in a review in the time to come. There is no guarantee that whoever may be looking at it will take a particular view. I would hope that common sense would apply if that were to be the approach and that the full evaluation would recognise that this would indeed be a

disincentive to people joining late. So, I would like to support the case made by my colleague, Deputy Kelleher.

**Deputy Leo Varadkar:** I understand the point the Deputies are making, namely, that it may seem odd to describe these as contributions in arrears or back contributions when one cannot claim the benefits in arrears, but I see health insurance a bit like a pension. Someone who has health insurance at the age of 60 years gets the full benefits. One can commence health insurance at 55 years, draw down the benefits if one gets ill at the age of 60 yet still get the same benefits as somebody who has paid into the scheme since he or she was 25 years of age. That is quite unfair and undermines the health insurance system and health insurance. The whole idea is that people should pay in, generally speaking, when they are young and healthy so that we can all get the benefits as we get older and unwell. I see it a bit like pensions. Nobody would expect to start paying into a pension at 55 years and get the same pension benefit when they retire at 65 years as someone who has paid in for 40 years. That is the way I see it but I understand the point that has been made. The scheme is provided for in regulations. Therefore, an amendment would not be to the primary legislation but to the regulations.

**Deputy Billy Kelleher:** We may not always have a Minister who shares that position of incentivising people of all ages. There should not be a long-term penalty for a person because of circumstances. Very often, it may not be because a person does not want to take out private health insurance. It may be that a person cannot afford to take it out. Then when circumstances change people may want to lighten the burden on the public health system by providing cover for themselves but they are penalised.

I wish to return to the original point. I would say we are talking about an indefinite penalty but the Minister has called it a contribution. Either way, it will be indefinite as this legislation is presently worded. In view of the fact that this Government's primary objective is to have universal health insurance, I would like to know when will this legislation fall. Will we have a situation when universal health insurance is introduced that people, who are already in the system, will be penalised even further by virtue of the fact that they have taken out insurance? Will they incur a penalty or have to make a contribution? What will happen if somebody decides "Why bother as I am going to be forced to have compulsory health insurance at some stage in the future?" The legislation gives mixed messages. It is a broader political point but is relevant to this legislation.

**Vice Chairman:** I am sorry to interrupt the Deputy but there is a division in the Dáil.

**Deputy Billy Kelleher:** I shall finish my point. We need to get to the kernel of universal health insurance. We are legislating here for eventualities that may or may not arise even though universal health insurance is stated policy. The Minister must see that a mixed message, to the say the least, is being sent in view of this legislation and the objective. Can I re-enter my amendment on Report Stage if I do not press it now?

**Vice Chairman:** I understand that the Deputy can do so.

**Deputy Billy Kelleher:** I shall withdraw my amendment with leave to re-submit it on Report Stage so we can have a fuller debate when we have more time.

**Vice Chairman:** I thank the Deputy.

Amendment, by leave, withdrawn.

## MESSAGE TO DÁIL

Section 3 agreed to.

Sections 4 to 9, inclusive, agreed to.

Title agreed to.

**Vice Chairman:** I thank the Minister and his officials for attending and for the speedy way in which business has been conducted. We should write a memo on same to the Chairman, Deputy Buttimer. Go raibh maith agat.

Bill reported without amendment.

## Message to Dáil

**Vice Chairman:** In accordance with Standing Order 87, the following message will be sent to the Dáil:

The Select Sub-Committee on Health has completed its consideration of the Health Insurance (Amendment) Bill 2014 and has made no amendments thereto.

The select sub-committee adjourned at 5.55 p.m. until 12.05 p.m. on Tuesday, 9 December 2014.