**Health Insurance Authority publishes its 2016 Annual Report**

* **Private health insurance market is the largest non-life market with total premiums of €2.53 billion in 2016**
* **The market continued to recover in 2016 with an increase in the total number of lives insured to 2.15 million at December 2016, an increase of 30,000 on December 2015**
* **Average claims paid per insured person increased by 1%**
* **Average amount paid for in-patient cover remained broadly unchanged at €1,177 per insured person (€1,173 in 2015)**

**Wednesday, 19 July, 2017 –** The Health Insurance Authority (“the Authority”) has published its Annual Report and Accounts for 2016. The Report provides information about the operation of the private health insurance market during 2016 and the work of the Authority in regulating the community-rated private health insurance market in Ireland. The Report and Accounts have been submitted to the Minister for Health, Mr. Simon Harris TD, and have been laid before the Houses of the Oireachtas, as provided for under Section 33(2) of the Health Insurance Act 1994 and in accordance with the Business and Financial Reporting Requirements of the Code of Practice for the Governance of State Bodies.

Commenting on its 2016 Annual Report and Accounts, Health Insurance Authority CEO, **Don Gallagher**, said: “The private health insurance market continued to recover in 2016 with a December-to-December increase of 30,000 in the total number insured on in-patient plans. The market has now seen two straight years of increases in the number of insured persons, or a total increase of 127,000 since the market low in December 2014 of 2.025 million insured. The increase has been proportionally greater among younger age groups with a net increase (over the last two years) of 85,000 in the number insured in the below 50 age category and a 62,000 net increase in the above 50 age category. Almost 46% of the population, or 2.15 million people, now have private health insurance. The market peaked in December 2008 with 2.3 million insured.”

“Average premiums per person rose marginally by 0.3% in 2016 to €1,177 per person. Premiums for specific products varied more widely but the effects of consumer activity such as switching products mitigated individual product increases.  There were 373 health insurance products with in-patient benefits being marketed at the end of 2016 which was an increase on the number of products marketed at the end of 2015 (360) and at the end of 2014 (355). The market can be difficult for consumers to navigate due to the large number of products and the rate at which products or their prices are updated. There is also some segmentation in the market through a combination of targeted product features and differences in pricing for different products which has resulted in older insured persons, on average, paying more for health insurance,” he added.

The Authority’s on-line product comparison tool provides assistance to consumers in comparing the pricing and features for all health insurance products available on the market. The Authority continues to advise consumers to periodically check (at least every two to three years) their health insurance for pricing and features to ensure they are receiving value for money. Consumers can switch providers of health insurance without any penalty under our community-rated private health insurance market.

Mr. Gallagher said:  “Minimum Benefits Regulations are intended to provide an underpin to the market in that they specify minimum benefit levels that each product must provide. These levels have remained unaltered since the market was first opened to competition 20 years ago. The Authority is of the view that a review of the Regulations could reduce the range of techniques through which insurers seek to segment consumers and differentiate product prices by life stage, which can undermine the principle of community rating. Insurers are obliged, however, to apply a single premium rate for each product regardless of the age, gender or health status of the insured person.”

Mr. Gallagher said: “Restraining the growth in insurance claims is critical to the sustainability of the voluntary health insurance market. Average claims paid per insured person increased by 1% in 2016 following a 6.5% increase in 2015 and a 3% increase in 2014. These changes were probably higher because of the change in the rules for charging private patients in public hospitals in January 2014. However, the rate of increase is still lower than the 12.6% average annual increase between 2008 and 2012. During 2014 and 2015, both overall consumer price inflation and health sector inflation were close to zero.”

The proportion of the population with health insurance varies significantly with age with the proportion in the oldest age groups rising faster than the average. The percentage of the insured population aged over 60 has increased by 0.8% per annum since 2009 and was 21.3% at the end of 2016. During the recession there was a notable decrease in the numbers insured in the young adult cohorts, however this trend has reversed in the last two years due to growth in employment and an associated reduction in net emigration. The introduction of both young adult discounts and Lifetime Community Rating in 2015 have also had an effect.

VHI Healthcare had the largest overall share with 52% of the PHI market but 81% of the insured population over 80 years of age. Irish Life Health (including GloHealth) had 21% of the overall market and Laya Healthcare 27%.

The Authority’s website [www.hia.ie](http://www.hia.ie), which provides the only comprehensive comparison tool of all health insurance plans in the market, received over 496,000 visitors in 2016, an increase of over 15% on 2015.

ENDS

*The Health Insurance Authority Annual Report 2016 is available to download from the Authority’s website at* [*www.hia.ie*](http://www.hia.ie)*.*

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Notes to Editors

**Health Insurance Authority Annual Report 2016 – Overview**

Private Health Insurance Market in Ireland

* Largest non-life insurance market in Ireland.
* Total premium income in 2016 of €2.53 billion
* 2.15 million insured as the end of 2016 or 46% of the population – an increase of c. 30,000 on the previous year.
* The recovery in the private health insurance market has continued; previous peak of 2.3 million or c. 51% of the population in 2008. Numbers ceased falling in the third quarter of 2014.
* The total number of private health insurance products being marketed grew to 373 as at 31 December 2016 (360 at the end of 2015; 355 at the end of 2014).
* The proportion of the population with health insurance varies significantly by age with the proportions in the oldest age groups rising faster than the average. The percentage of the insured population over 60 has increased by 0.8% per annum since 2009 and was 21.3% at the end of 2016. Ageing of the general population and the faster ageing of that part of the population with health insurance are expected to continue in the medium term. The gradual ageing of the insured population will probably lead to higher claims per person insured, even if there are no cost increases in healthcare provision.
* The trend of declining numbers of insured in younger age cohorts has reversed  in the two years due to the growth in employment, net emigration of young adults and both the introduction of young adult discounts and lifetime community rating (or ‘LCR’) in 2015. If the number of young adults insured had continued to fall, this would have caused a more rapid ageing of the insured population and probably would have led to a significant rising trend of claims per person insured.

Market participants

* Four open membership undertakings operated in the market during 2016, namely VHI Healthcare, Laya Healthcare, Irish Life Health, and GloHealth.
* The merger of Irish Life Health and GloHealth in late February 2017 reduced the number of open membership undertakings from four to three and led to a reduction in the total number of products marketed by the combined insurer.
* In December 2016, VHI Healthcare’s market share was 50%, Laya Healthcare 26%, Irish Life Health 14% and GloHealth 6%. Restricted Membership Undertakings had a combined market share of 4%.
* Market shares vary significantly by the ages of insured persons, e.g. (excluding restricted membership undertakings) at the end of 2016 VHI Healthcare insured 66% of those aged 70-79 years. This compares with 22% by Laya Healthcare and 12% insured by Irish Life Health in the same age category. However, the high proportions of the oldest age cohorts insured by VHI Healthcare are gradually declining.

Premiums and claims

* The average gross premium paid in 2016 was €1,177, an increase of €4 on 2015 (€1,173). The average premium in 2014 was €1,200.
* Until 2015 there had been a continuous increase in the average health insurance premium since 2001.
* Gross premiums charged to consumers are reduced by income tax relief of 20% up to a maximum of €200.
* Average claims paid per insured person increased by 1% in 2016 following an increase of 6.5% in 2015 and a 3% increase in 2014. Factors underlying these increases included changes to charging rates for patients with PHI cover in public hospitals. The average rate of increase in claims between 2008 and 2012 was 12.6%. Consumer price and health sector inflation was near zero during 2014 and 2015.
* Average benefits per insured person in 2016 were €1,137; average market treatment days per insured person were 1.15.

Regulatory Developments

* Health Insurance (Amendment) Act 2016
  + Enacted in December 2016
  + Specifies circumstances in which an insurer may terminate or refuse to renew a health insurance contract
  + From 1 April 2017, amends risk equalisation credits and levy that apply under the risk equalisation scheme, plus a number of other technical amendments
* Lifetime Community Rating (‘LCR’)
  + Introduced with effect from 1 May 2015
  + Introduces an age-related loading of 2% per year of age over 34 years when a person first takes out private health insurance
  + 15,000 insured persons paying loadings in 2016.
  + Total of €2.4 million in LCR loadings paid in 2016 (€711,000 in 2015).
  + The Minister for Health requested that a review of Lifetime Community Rating be carried out in 2017 by the HIA.  The Authority released a consultation paper in January 2017 and requested submissions from stakeholders and interested parties.
  + A Report has been submitted by the HIA to the Minister for Health.
* Health insurance products sold or marketed to non-EEA students attending courses of study exceeding 1 year
  + Insurers selling health insurance contracts to persons ‘ordinarily resident in the state’ are required to be registered with the HIA and to comply with the provisions of the Health Insurance Acts. The HIA has determined that ‘ordinarily resident in the state’ in respect of non-European Economic Area students means attending a course of study of more than one academic year’s duration. The Authority wrote to a number of insurers in 2016 who were then selling (or considering selling) such contracts informing them of this determination. ACE European Group Limited did not accept this determination and the Authority consequently served an Enforcement Notice on it in March 2017.

Risk Equalisation Scheme

* Essential part of the community-rated PHI market in Ireland
* The Authority received notification in February 2016 that the European Commission was not raising any objections to the Risk Equalisation Scheme for the period 2016 to 2020.
* The Risk Equalisation Fund had an income of approximately €641 million in 2016 (€638.5 million in 2015). The Fund’s expenditure totalled €620 million approx. (€608 million in 2015), mostly comprising Risk Equalisation Premium Credit of €512 million approx. (€513 million in 2015) and Hospital Utilisation Credit of €108 million approx. (€96 million approx. in 2015).

Consumer information

         The HIA website ([www.hia.ie](http://www.hia.ie)) received over 496,000 visitors in 2016, an increase of over 15% on 2015 (428,000).  The website contains a product comparison tool which assists consumers select and compare features and pricing of all products available on the market.

         The HIA’s Facebook and Twitter pages continued to gain additional followers during 2016.