

Press Release

The Health Insurance Authority Publishes Report on Competition in the Private Health Insurance Market

16 February, 2007

The Minister for Health and Children requested the Health Insurance Authority and the Competition Authority to report on “*further measures to encourage competition in the private health insurance market and the strategy or strategies which might be adopted in order to create greater balance in the share of the market held by competing insurers.*” Terms of Reference were agreed in March 2006 and a public consultation process was conducted in April 2006. The Health Insurance Authority today publishes its Report, which was submitted to the Minister on 26 January.

The Competition Authority and the Health Insurance Authority worked closely together in the preparation of their reports and many of the conclusions and recommendations in the Health Insurance Authority’s Report’s are similar to those in a corresponding report issued earlier this week by the Competition Authority.

The Irish private health insurance market is community rated. The community rating system is supported by regulations concerning lifetime cover, open enrolment, minimum benefit and risk equalisation. These regulations are necessary for the maintenance of a community rated market. While the regulations also impact on competition, the impact is fair and proportionate and the regulations facilitate competition between insurers. Nevertheless, the Irish market is highly concentrated and there are a number of measures recommended in the Report that should be taken in order to benefit consumers by encouraging greater competition in the market.

A primary objective of the Report’s recommendations is to bring about a situation as soon as possible that all health insurers operate under the same regulatory framework. To this end, a number of recommendations are made with the aim of Vhi Healthcare becoming an authorised insurer, regulated by the Financial Regulator and required to achieve solvency levels specified in insurance legislation.

The absence of risk equalisation in a community rated market gives a regulatory advantage to insurers with lower risk profiles. The Risk Equalisation Scheme is designed to reduce but not eliminate this advantage and insurers with lower risk profiles will continue to have a significant advantage, even with risk equalisation payments.

So far as the Health Insurance Authority is concerned, the recommendations in the Report are made in the context of effective risk equalisation payments being made and, in the absence of such payments, many of the recommendations would not be feasible. In the light of recent developments in relation to BUPA Ireland’s business, the Authority has advised the Minister for Health and Children that, in its view, the frustration of her decision to implement risk equalisation with effect from 1 January 2006 would involve significant risks for the current community rated health insurance framework and would not be in the interests of health insurance customers generally.