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Health Insurance Authority publishes national survey of consumer attitudes to Private Health Insurance

“Consumer knowledge deficit” a cause for concern says Authority chairman

“Health insurance consumers in Ireland do not appear to know enough about their options to benefit from a fully working open market” according to the chairman of the Health Insurance Authority, Professor Alastair Wood. The Authority chairman expressed concern at what he described as this consumer knowledge deficit while launching a national survey of consumer attitudes to Private Health Insurance (PHI).

In order to assess attitudes and behaviour among private health insurance consumers (as noted in the Authority’s Policy Paper on Risk Equalisation September 2002), the Authority commissioned *Amárach Consulting* to conduct a comprehensive research programme through qualitative and quantitative surveying of Irish consumers’ behaviour and attitudes towards the Private Health Insurance (PHI) market in Ireland and their knowledge of that market.

Launching the results of the study, Professor Wood drew attention to three key findings:

“Health insurance consumers do not appear to know enough about their options to benefit from a fully working open market”, he noted.

“Greater access to, and understanding of, information about the operation of the market – such as the straightforward nature of switching between insurers – as well as about the coverage and costs of PHI products, would empower consumers to make educated comparisons thereby facilitating the freer operation of a competitive market,” he added.

“Only a small number of consumers have switched provider”, he noted.

“Consumer behaviour in the current PHI market is highly conservative, with only a fraction switching between insurers. Switching mainly took place for reasons of perceived cost savings or through outside influences such as moving job or when a

group scheme changes. Those surveyed who have switched tend to be younger consumers. Of those consumers who have not switched, few have ever considered it and some say that they will never switch. Older consumers are less likely to have considered switching in the past or to do so in the future. From the focus group research it would appear that some group schemes are considering switching. More consumers might consider switching if the price differential between insurers were more marked – the average amount cited being 26%”, he added.

“While they see health insurance as a costly necessity, many consumers only familiarise themselves with their options when claiming”, he noted.

“Consumers see PHI cover as a costly necessity, primarily because it provides peace of mind, and because they believe that it provides faster access and access to better levels of healthcare services. However, in many cases consumers only educate themselves about their PHI cover and options when they come to make a claim,” he added.

The Authority’s chairman went on to outline a number of additional findings:

- A significant percentage of the public believes that PHI is more expensive than it actually is. Clear communication of the actual cost of standard plans could encourage more people to avail of PHI.
- A significant percentage of consumers claim to be happy with the level of information sent to them by their PHI provider, yet a significant proportion of them do not read this information. The simplification of explanations of plan benefits is likely to impact directly consumer expectations and ensuing customer satisfaction levels. The Authority has been in contact with health insurers with a view to providing more and clearer information about plan benefits, in the interests of consumers.
- The vast majority of consumers are satisfied with the cover that their PHI provides. Satisfaction with the claims process is also very high and few consumers have ever made a complaint to their health insurer.
- The benefits that consumers would most like to see improved or included were specialist cover (e.g. dental, optical) and improved GP cover.
- Less than half of consumers interviewed felt that recent premium increases were unjustified.
- However, only significant one-off large premium increases (30%+) would encourage large numbers of consumers to consider letting their policy lapse.

- A significant number of people do not know how many PHI providers operate in Ireland. However, based on their own estimates of the number of insurers, the majority of people feel that the existing level of competition is inadequate.
- Consumers generally do not understand terms such as Community Rating and need further information on a range of market concepts in order to be able to form an opinion on them. Once the concepts of community rating and risk rating were explained to consumers, there was more support for community rating than risk rating in the PHI market.

The survey revealed a number of statistics about the PHI market in Ireland:

- Of those surveyed, 47% had PHI, while 53% did not. Five percent of the overall sample previously had PHI but no longer have it.
- Social class and, to a lesser extent, age are important determinants in whether or not people had PHI. Seventy percent of ABC1s had PHI, compared with 31% of C2DEs and 39% of those in the farming community.
- A third of those sampled had a medical card. Of those with medical cards, 16% also have PHI.
- Of those surveyed with PHI, 82% were customers of Vhi Healthcare, 13% were with BUPA Ireland and the remaining 5% were with other insurers (there are a number of restricted undertakings operating in the market, such as schemes operated by the Gardai, the Prison Officers and the ESB).
- Plan B was the most popular Vhi Healthcare plan, while Essential Plus with an excess was the most popular BUPA Ireland plan.
- Over half (55%) of those with PHI have made a claim for themselves or a dependant. The proportion of those who have made a claim rose by age.
- The average amount consumers said they were paying for PHI was €768 per annum, although this includes cover for spouses and/or dependants. It should also be noted that 38% of consumers said that they did not know how much they were paying for their cover. Among those paying for cover for themselves only, the average amount cited was €430.
- By comparison, non-consumers believed that a standard plan cost an average of €533. The cost of PHI, along with not being able to afford it, was the main reasons cited by non-consumers for not having PHI.
- However, over four in ten non-consumers consider it likely that they will get PHI at some point in the future.

ENDS/

Notes to Editor:

The objectives and functions of The Health Insurance Authority, as defined by the Health Insurance Acts, 1994 and 2001 include the monitoring of:

- The ‘carrying on of a health insurance business’ and
- ‘Health insurance developments generally’

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