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*Voluntary Private Health Insurance Market in Ireland :
Public-Private Mix*

Tim McKeown
Head of Business Development
Vhi Healthcare



Key Themes

1. PMI Market in Ireland

2. Healthcare Provision Market : Public-Private Mix

3. Growth Drivers & Current Challenges

4. Public Policy Perspectives

5. Some Considerations...

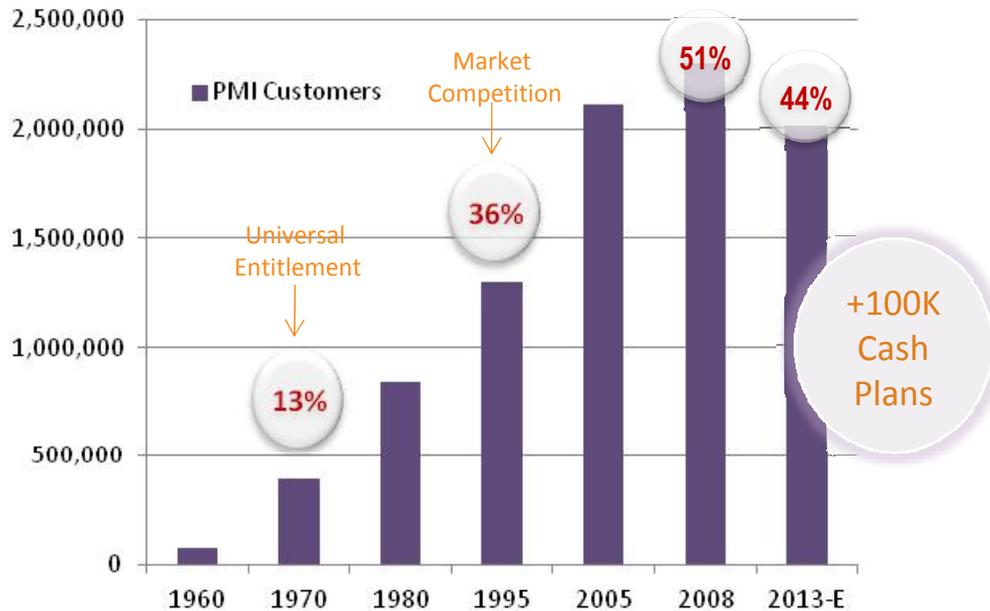
Some Context...



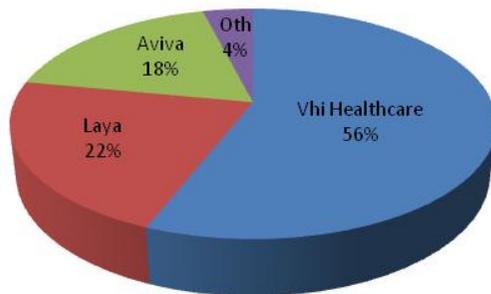
- Population of 4.5m, sparsely distributed
- Universal access to public hospital care through general taxation...small user charge
- But – 45% of population opt to purchase duplicate voluntary private insurance for hospital treatment
- High cross-over between public & private delivery systems...public hospitals sell capacity to insurers
- Out-of-Pocket spend in primary care & pharma
- Significant austerity & economic adjustment > Affordability

PMI Market – Key Characteristics

PMI Customers / % Population



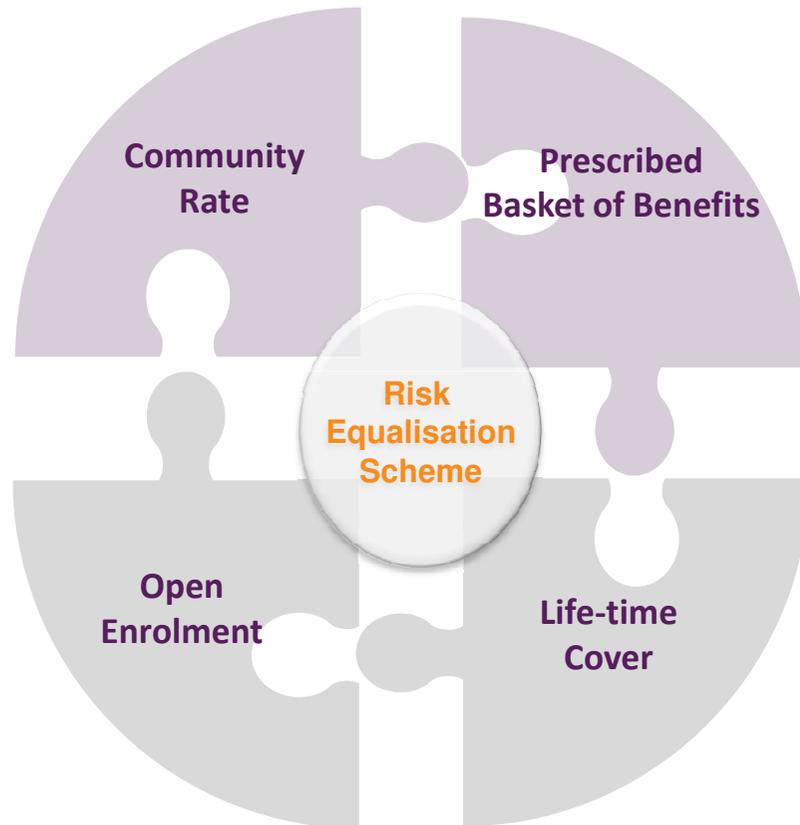
Est Market Shares



- Premium circa €2.25b pa :1.8% of GNP
- Strong growth – circa 51% pop at peak
- Single insurer market until 1995 (Vhi)
- Currently 4 health insurers in the market
- Market expansion in tandem with:
 - Significant population growth
 - Increasing affluence
 - Labour market expansion
 - Growth in multi-nationals
 - Competition
- Market contraction due to austerity and shrinking labour market
- PMI market has proved relatively resilient during the 'crisis' (so far...)

PMI Market - Regulatory Structure

PMI Market Tightly Regulated



- Risk-rating prohibited
No discrimination on basis of age, gender, health
- High-level of Prescribed Benefits
Broadly all public hospital procedures
- Life-Time Cover & Open Enrolment
Insurers cannot refuse cover or renewals
- Anti-Selection Measures
Limited 'waiting periods' to prevent selection

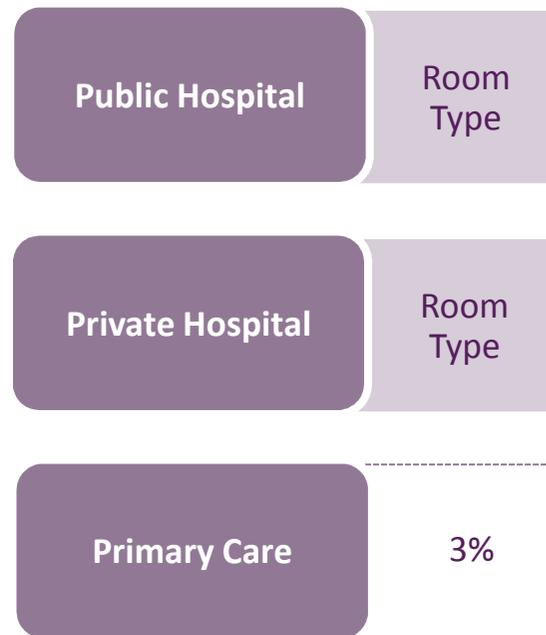
PMI Products in Ireland



... PMI Products across the market provide comprehensive cover for hospital treatment with very limited cover for primary care



Approx €880 net of 20% relief tax

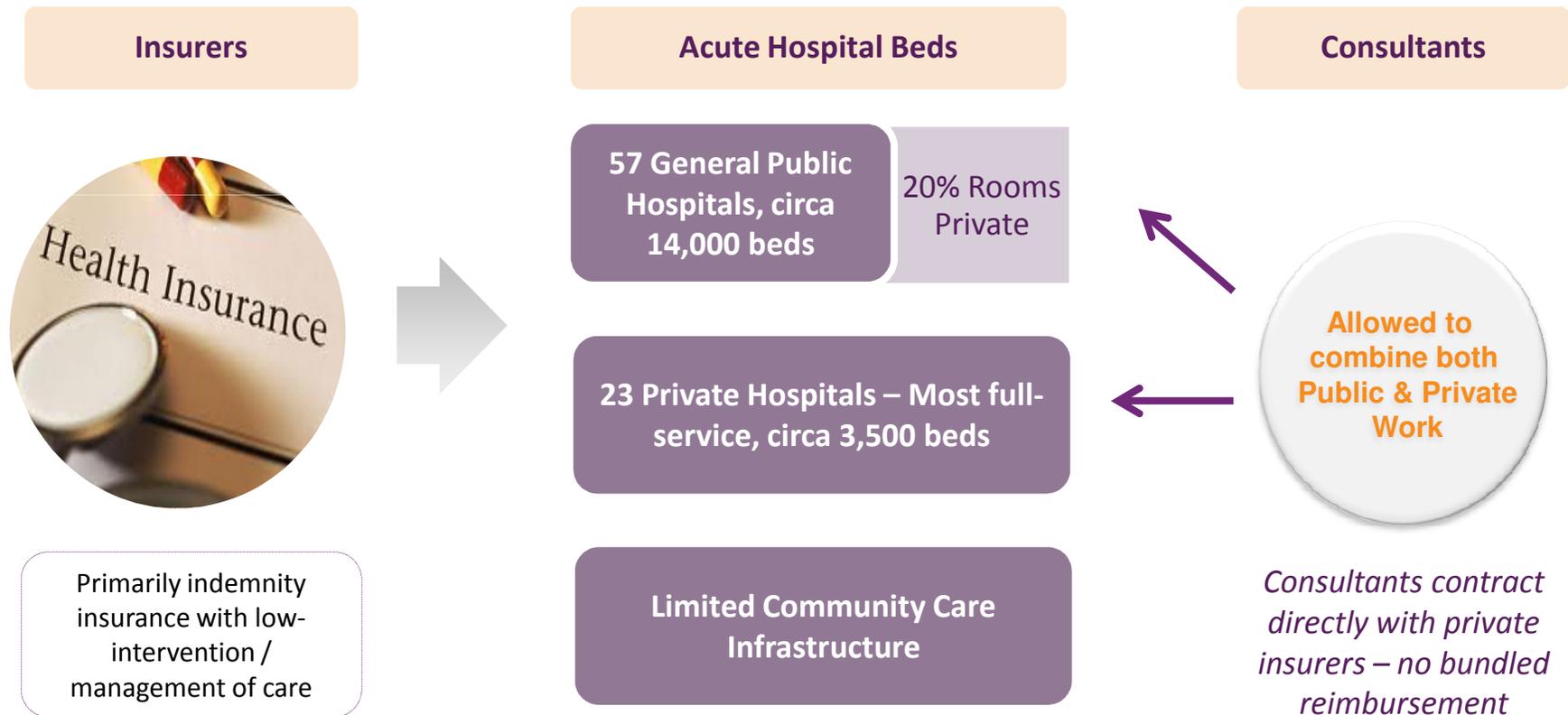


- Benefit for all treatments in a covered hospital / clinic
- Generally full-indemnity / direct payment to hospitals/consultants...
- But, trend towards excesses and co-pays
- No requirement to cover all facilities
- Small primary care element (co-pays)
- No cover for LTC

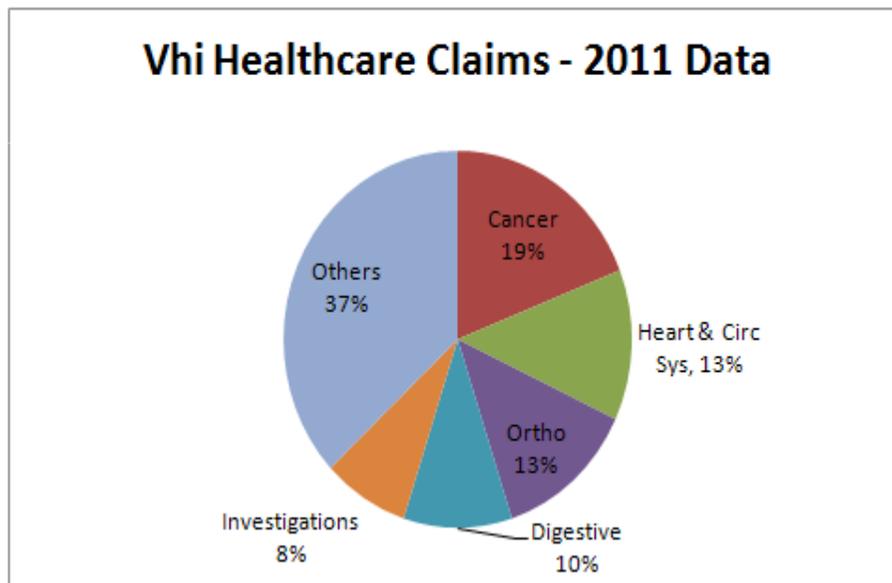
Healthcare Market Organisation – Public-Private Mix

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... Private Health Insurers purchase from both public & private hospital systems and from Consultants who are permitted to combine public and private work



“ ... Vhi Healthcare pays circa €1.3b per annum for its customers' healthcare needs – this is pre-dominantly for hospital based care



Source Vhi Annual Report

- Most care delivered in a hospital setting
- Indemnity rather than 'managed care' model
- Insurers typically manage costs through:
 - Supply-side initiatives
 - Fixed-price packages
 - Rates
 - Clinical indicators / protocols

Sales & Distribution

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... PMI in Ireland is a 'Bought' rather than a 'Sold' product which is predominantly distributed directly to clients rather than through brokers



- Company-paid: Purchased as an employee benefit
- Worksite Marketing : Self-pay, premium deducted from salary
- Affinity: Professional bodies, associations, unions, etc.
- Telephone: Principal fulfilment channel for all segments
- Web: circa 10-15%....Starting to increase off a low base
- Branch Office: Very little business transacted over-the-counter
- Brokers: Small part of the market intermediated > Circa 5% of market, est commission at 7.5% of premium

Growth Drivers

“ ... PMI has grown steadily in Ireland – the market has proved relatively resilient despite a tripling in unemployment and an austerity programme which has significantly reduced disposable incomes

Consumer Drivers



- Perception of the public system
- Faster access to healthcare
- Quality perception
- Cost of treatment
- Choice of hospital & consultant
- 2nd ranked employee benefit

- Community-rated system : Access and affordability
- Product simplicity: Full-cover promise for serious illness
- Prosperity and labour market expansion > particularly MNCs
- Competition: More insurers developing the market...
- Public-Private Mix: Overcomes the 'chicken or egg' problem
- Tax incentives: Premium subsidy of 20%, private supply

Challenges - Barriers



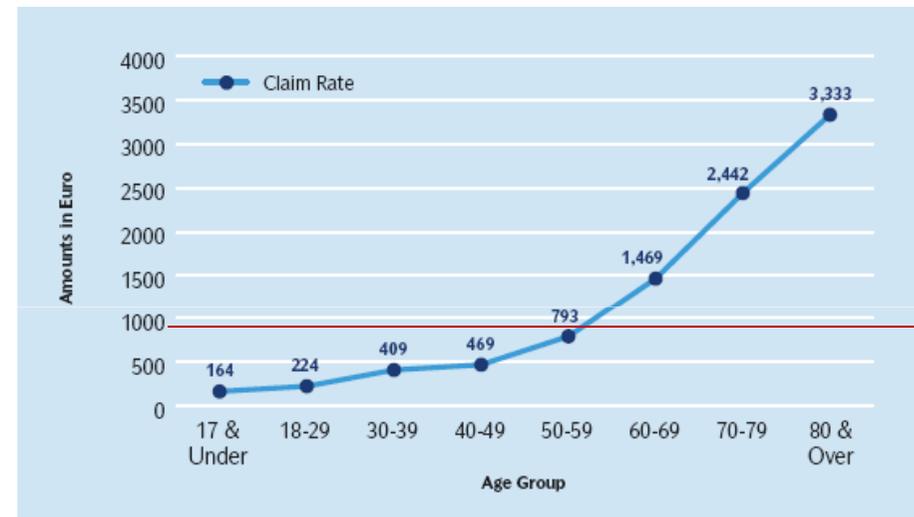
...A number of factors are combining which are undermining the sustainability of the current voluntary health insurance market in Ireland

- Affordability
- Market and regulatory imbalances
- Demand drivers - increasing volumes/utilisation
- Young lives dropping out
- Financial strain on private hospitals
- Public hospital funding needs
- Threats to product proposition – full-cover & complexity
- Sustainability of community-rating system



Market Responses

- Market segmentation
- Increase in excesses and co-pays
- Provider cuts
- Viability of full-cover model
- Potential Market Stabilisation Measures
 - Age-at-entry premium loading
 - Discounts to attract young lives



The source of the data in the above chart is information returns submitted to the Authority by insurers. These returns exclude c. 20% of claims.

Source : HIA 2011

Public Policy Perspectives



...Voluntary PMI is embedded in the Irish health system as part of a public-private mix of healthcare funding and service delivery

- PMI contributes €2.3b to the Irish healthcare economy – circa 10-15% of health spend
- Additional source of income to public hospitals, circa 10%
- State has access to private infrastructure without the capital investment
- Creates a two-tier health system – but...
- Materially frees-up capacity in the public system for non-private patients
- Delivers social goals in terms of inter-generational solidarity & health status
- Limits to the extent of alignment with policy goals, e.g. prevention, integrated care, etc.

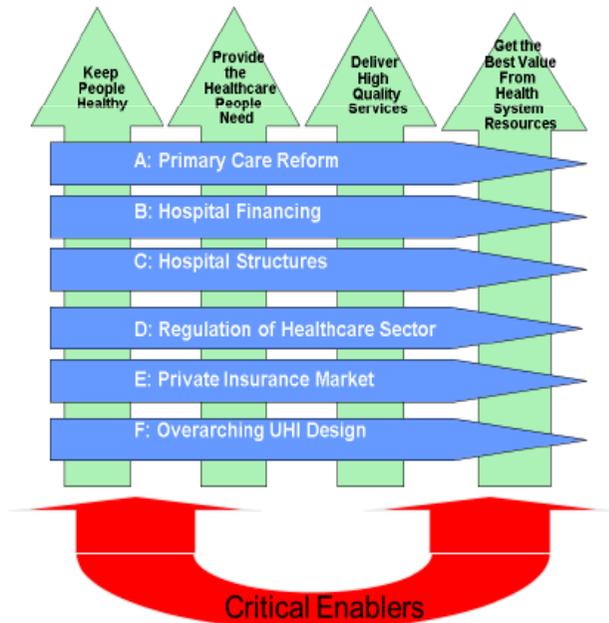


>>> Government plans to evolve voluntary PMI into mandatory universal health insurance

Future Public Policy Perspectives

“ Government plans implement a universal mandatory model where competing private insurers purchase services from competing public and private healthcare facilities

To develop an efficient and effective single-tier health service which promotes the health and well-being of the population and which provides equitable access to high quality care on the basis of need.



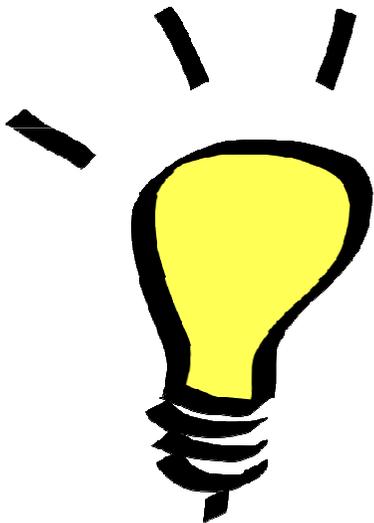
Source : Depart of Health (2013)

Key Design Principles

- Single-tier
- Mandatory cover for basic package
- Competing private insurers
- Competing public and private providers
- Premium based on economic circumstances
- Insurers allowed to sell 'top-up' products
- >>> *In parallel,*
- Free GP cover funded through social insurance
- Supply-side initiatives to improve efficiency and quality

Some Considerations...

“ ... A strong PMI market has supported public policy goals in Ireland in terms of funding, access to healthcare, efficiency and quality...but there will always be differences between commercial insurance and social policy goals



- Create an up-front vision on how PMI will integrate into the overall health system
- Vision will determine the type of health insurance model to adopt
- Public hospitals can play a role in creating the *supply* to stimulate *demand*
'Chicken or egg problem'
- Tax incentives can stimulate demand (premium subsidy) and supply (hospitals)
- Product simplicity is important to creating scale in a new market
- Opportunities to create 'JVs' with hospitals to help kick-start market & contain risk?
- Natural limits to alignment of commercial insurance and social policy goals