

11<sup>th</sup> April 2006

The Competition Authority  
Parnell House  
14 Parnell Square  
Dublin 1.

**Re: Competition in the Private Health Insurance Market**

Dear Sirs,

I noted that you are inviting comments from the public in relation to competition in private health insurance. As the founder of the Blackrock Clinic, and subsequently the Galway Clinic, and with the Hermitage Clinic under construction, I feel that I am in an unique position to comment on the way that I have seen the insurance market operate over the last 20 years and the radical changes that are required to allow a viable, independent/private healthcare sector to survive.

The fact that no single private hospital bed has been constructed between the opening of the Blackrock Clinic in 1984 and the Galway Clinic in 2004 speaks volumes. The V.H.I. have overstepped their mark as an insurance company and have abused their dominant situation at every possible opportunity. Despite increasing the membership of private insurance from 30%, in the early 1980s to in excess of over 50% in 2006, as well as a significant absolute increase in population, the V.H.I. have constantly maintained that there is no need for any further private hospital beds in the country. They depend on the great majority of their subscribers reverting to the public system, and indeed, by not allowing new hospitals develop, they ensure that three out of four of their subscribers have to revert into a public bed for treatment. This minimises the exposure of their insurance fund and thus indirectly keeps the premiums to a minimum.

While it is advantageous to maintain the premiums at as low a level as possible, it is no longer feasible to provide medical services to those privately insured in this country, and I feel that premiums are now being taken under false pretences, when the insurer now knows that these people cannot obtain treatment when required. As a result, the great majority of patients with acute problems all have to revert to the public system, and the private hospitals have become synonymous with elective care. Some people label this as "cherry-picking", but in effect, the capacity is not there to treat acute patients.

The role thus played by the V.H.I., is no longer the role of an insurer, but that of a regulator. They have successfully prevented the development of private hospitals until their position was challenged by the development of the Galway Clinic. It was extremely difficult to raise the finance for this project, as the first question asked, by all financial institutions is; what is the attitude of the VHI, and will they cover patients? They cleverly avoid addressing this issue by saying that they will only approve hospitals when they inspect them on completion. There is very little comfort in this approach when a new facility, such as the Galway Clinic, costs in the region of €100 million euro. Two weeks prior to opening the clinic, the V.H.I. produce a proposed agreement, and at that it was very much a "take it or leave it" situation. They enforced a three year agreement on the Clinic, when every other hospital virtually in the country has a one year agreement, and in fact they attempted a five year agreement. They promised to review this annually, but when the first annual review fell due, they refused to review the contents of the agreement, and stated that the Clinic was stuck with the agreement for a further 2 years, whether they liked it or not. The fact that considerable sums of money were lost and continue to be lost, did not cause them any concern whatsoever. The abuse of their dominant position in this regard is incredible. Unfortunately 70% of the income of the Galway Clinic results from V.H.I. claims and yet they state that there is no need for the beds in the West of Ireland, and that it is our own problem building the facility! For this reason no new hospital can survive with the present attitude prevailing.

I am very supportive of an orderly development of private facilities, but one cannot continue to take private premiums and prevent the subscribers obtaining treatment. It is like selling a car insurance policy, and saying that only patients who crash up until March can claim.

Not alone are the rates of payment proposed, inadequate, but the V.H.I. also place a cap on the total amount that they pay to the hospital in a year. If this amount is exceeded, we are obliged under their agreement, to treat their subscribers for free until the year-end.

Is it surprising that they continue to abuse their dominant situation, but the difficulty of instigating legal proceedings, is the cost, as the Law does not provide for new institutions expending enormous amounts of money on legal proceedings, which could possibly be protracted for a few years. It is, in fact, the single biggest disadvantage of any form of legislation that if one requires to call on the Courts, that the costs have become prohibitively expensive for all small and young organisations. I would greatly welcome a review of the health insurance business in Ireland, and I am very concerned with the present decision by BUPA to withdraw out of the country, if risk equalisation is introduced.

Page 3.

While in principle I am supportive of risk equalisation, I feel that it can only be applied if certain basic parameters are instigated. The most important of which is different rates of premium when individuals join at different age groups. It is totally unfair that subscribers in their sixties, join at the same rate as an 18 year old. It is similar to asking patients to take out a pension policy in their sixties and pay the same premium as someone taking out a similar pension policy on commencing work, and both receiving the same pension on retirement. This is inequitable and was pointed out in the White Paper on health insurance in 1997. No action was taken and no loading premiums were applied to people joining in the older age group. Unless this simple step is undertaken, then risk equalisation cannot apply.

I would be very pleased to expand on my experiences over a lifetime in the health service if you so wish.

Yours sincerely,

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