

NATIONAL
CONSUMER
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Submission to The Competition Authority and The
Health Insurance Authority on competition in the Irish
private health insurance market

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First of all, let me on behalf of the board of the National Consumer Agency (NCA) welcome this initiative that is being undertaken to assess competition in the Irish private health insurance market. We would be grateful if you could consider the following issues in your deliberations.

Consumer Strategy Group Recommendations

In our view, when developing recommendations the Competition Authority and the Health Insurance Authority (HIA) should take account of the major principles of consumer policy as set out in the report of the Consumer Strategy Group: the priorities for the consumer are

- Access (including market information, choice, price, and quality)
- Safeguards (including health and safety, terms and conditions)
- Advice and support
- Redress (legal remedies, other redress institutions, and alternative dispute resolution)
- Consumer voice (including input into terms and conditions and pricing, input into Government policies, and consumer responsibilities)

The solutions adopted should reflect these priorities. In practical terms the issues are as follows:

- Access: consumers at present may find it difficult to compare the pricing systems of the health insurance companies in order to determine what is best value for money, and may also have difficulty in assessing the quality of the medical services intermediated by the insurance company. Greater consumer choice will be furthered by allowing the consumer access to medical services in other EU countries, to be reimbursed in the normal way by the health insurance companies.
- Safeguards: the terms and conditions of health insurance should be more transparent, so that the costs and benefits are clearer. A further issue in this regard is whether the benefits promised and paid for in health insurance (such as a private room) can in fact be delivered at the time they are needed, and what compensation is offered to consumers in such cases.
- Advice and support: there is a continuing need for clear information for consumers to help them make the important choice of insurance provider. In this regard, information on the services offered by the public health system should also be provided in the same format, so that consumers can decide if the benefits promised by private insurance are of sufficient value to them in individual cases.
- Redress: the health insurance providers, by specifying a range of hospitals and consultants, are essentially putting themselves in the position of retailers for goods and service. Consumers should therefore be able to seek redress from them directly for unsatisfactory services.
- Consumer voice: once fully established, the NCA will be anxious to ensure that it carries out detailed analysis and consideration of the policy requirements in this field, given its importance for the consumer.

Risk Equalisation and Community Rating

The NCA supports the Government's policy of supporting community rating and thus recognises the need for risk equalisation. These views are also consistent with the report of the Advisory Group on the Risk Equalisation Scheme which stated; "on the basis of arguments made and the evidence presented to it, that risk equalisation is essential to underpin community rating".¹ However, the Board recognises that the triggering of community rating may create an additional barrier to entry into the Irish market, thus pointing to the need for additional measures to encourage competition, in particular by the promotion of market entry by firms that up to now have not engaged in the Irish market.

The Importance of Competition

The views of the NCA are consistent with those of the Competition Authority in that competition is the best protector of consumer interests. Competition in the long run can in principle ensure that improved levels of service are provided at lower prices. Nevertheless, the Board recognises that in a small market like Ireland perfect competition can not always be achieved. It is in this vein, that the Board would encourage the HIA to look to both international experience and to further encourage integration with the European private health insurance market and health service providers to encourage competition and innovation within the market place.

Removing Barriers to Switching

Of considerable concern to the NCA is the fact that the HIA's own review noted that though the rate of switching within the industry is on the increase, only 10 per cent of all consumers sampled have ever switched insurers within Ireland.²

The HIA calculated that in 2005 52 per cent of all Irish adults held private health insurance. The Authority observed that social class remained a key determinant of ownership and noted that this was not surprising considering the rising costs.³

The NCA believes that this low level of switching is due to the complex and intricate manner in which health insurance products are presented to the average consumer. The NCA acknowledge that the HIA have endeavoured to improve this situation. However, the Board believes that further remedies are needed to ensure consumers can accurately and easily compare one product against another to allow for switching and the purchase of health insurance by first time buyers. Consumers may also be concerned that they will be more vulnerable if they switch suppliers, and that they will be unable to switch back to the original provider in later years.

¹ "Report of the Advisory Group on the Risk Equalisation Scheme", The Minister for Health and Children's Independent Review of the Risk Equalisation Scheme, April, 1998.

² The Private Health Insurance Market in Ireland", A Market Review, Health Insurance Authority of Ireland, September, 2005.

³ "The Private Health Insurance Market in Ireland", A Market Review, Health Insurance Authority of Ireland, September, 2005.

A Level Playing Field

It has been determined that in the long-run the Voluntary Health Insurance Organisation (VHI) will have to remunerate their capital. However, this will not happen for several years and places the VHI in a competitive position relative to its competitors.

In conclusion, the VHI do not have to adhere to the conduct of business regulation that other insurance companies are subject to under the Irish Financial Services Regulatory Authority (IFSRA). To level the playing field and to remove an unfair competitive advantage the NCA would welcome the VHI opting to operate under the IFSRA guidelines until the company comes under the jurisdiction of the regulator in the medium term.