

NATIONAL COUNCIL ON AGEING AND OLDER PEOPLE



SUBMISSION

COMPETITION IN THE PRIVATE HEALTH INSURANCE MARKET

INTRODUCTION

The National Council on Ageing and Older People notes the announcement by the Competition Authority and the Health Insurance Authority of a public consultation process concerning competition in the private health insurance market. The Council also notes that the Terms of Reference for the consultation are framed with reference to an expectation of “community rated private health insurance continuing to play a major role in the overall resourcing of Irish healthcare”.

The Council wishes to take this opportunity to affirm the importance of community rating both as a public policy priority and a cornerstone of the regulatory framework for the provision of private health insurance in Ireland. This view is put forward in the context of the Council’s advocacy of an age friendly society: “In such a society, a life course perspective is adopted by all authorities; there is consistency and equity in the treatment of all citizens; and risks are pooled between and within generations”(National Council on Ageing and Older People, 2005:26).

A commitment to equality is also enshrined in Irish legislation. On nine distinct grounds, discrimination in employment, vocational training, advertising, collective agreements, the provision of goods and services and other opportunities to which the public generally have access is prohibited under the terms of the Employment Equality Act, 1998 and the Equal Status Act, 2000. The nine grounds include age and disability. Discrimination is defined as treatment of a person in a less favourable way than another person is, has been or would be treated on any of the nine grounds (Equality Authority, undated).

Community rating, in the Council’s view, is consistent with this commitment to equality for Irish citizens, regardless of age.

IMPLEMENTATION OF COMMUNITY RATING

In addition, the Council shares the views of others (Mercer Actuarial Consultants, 2005; Health Insurance Unit, D/HC, 2005) that risk equalisation is a necessary component of community rating in the Irish setting. Far from inhibiting competition between individual providers of private health insurance, risk equalisation manages risk differentials between providers and upholds, as required by legislation “the best overall interests of health insurance consumers”. In the context of public discussion and consultation about competition in the private health insurance market, the Council would welcome the dissemination to the general public of clear, factual and transparent information about both community rating and risk equalisation by the relevant statutory authorities. In making this comment, the Council would also like to acknowledge the Health Insurance Authority’s valuable work on the promotion of consumer understanding of product choices in the private health insurance market (i.e. Selecting a Private Health Insurance Product, Understanding and Comparing Private Health Insurance Products).

The Council has noted the comments of the Competition Authority in its own earlier submission to the Health Insurance Authority on risk equalisation (Competition Authority, 2002). The implementation of a risk equalisation scheme is identified as a barrier to entry to the Irish market by new providers. At the same time, the Competition Authority is clear that “it is only one of a range of factors that discourage entry”. Other factors identified included: the high level of existing market penetration; the close links between the former State monopoly and the regulating bodies; the potential for excessive politicisation of key regulatory decisions; and the lack of a culture of competitiveness in the healthcare market.

OTHER ISSUES

From the point of view of consumers, there are other issues that warrant exploration. The Council notes research findings which show that:

- In European countries, increased competition has not reduced the price of voluntary health insurance premiums for consumers;
- consumers have difficulties in comparing voluntary health insurance products and assessing their costs and benefits accurately since, on the one hand, product differentiation can increase the range of products available to customers and provide them with products tailored to their needs; on the other, it can be used to segment the market, giving insurers a greater opportunity to distinguish between “good” and “bad” risks; and
- risk selection by private insurance providers functions to the detriment of competition in the private health insurance market (Mossialos and Thomson, 2004).

Finally, the Council notes that the framing of the Terms of Reference for this consultation is such that competition in the private health insurance market is to be considered without reference to the interface between public and private systems of health care in the Irish setting. The reality is that interaction between both systems has a bearing on the equity and efficiency of either one and on their capacity to operate in the best interests of service users within them - of all ages.

References

Advice of Mercer – Actuarial Advisers on Commencement of Risk Equalisation Payments, 21st December 2005, available online: <http://dohc.ie/>

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Health Insurance Unit, Department of Health and Children, Recommendation on Risk Equalisation Payments (December 2005), available online : <http://www.dohc.ie/>

Mossialos, E. and Thomson, S. (2004), *Voluntary Health Insurance in the European Union*, European Observatory on Health Systems and Policies, available online: <http://www.euro.who.int/observatory>

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