



**SUBMISSION
ON
COMPETITION
IN THE
HEALTH INSURANCE MARKET**

**TO
THE COMPETITION AUTHORITY
AND THE
HEALTH INSURANCE AUTHORITY**

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SUBMISSION

competition in the Health Insurance Market

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This is a response to the invitation published in national media by the Competition Authority and the Health Insurance Authority in March 2006.

The invitation welcomed views from individuals and groups and asked us to:

- Examine market structure in relation to private health insurance and identify relevant submarkets, if they exist. These markets will be analysed from the perspective of restrictions on the degree of rivalry, barriers to entry and barriers to switching private health insurers.
- Identify and analyse industry practices, legislation and/or administrative practices in private health insurance in the State that limit the degree of rivalry in the marketplace to the detriment of consumers.
- Identify barriers to switching private health insurers, analyse their origin, and, where appropriate, make recommendations to have unnecessary barriers to switching removed.
- Identify duties that could be assigned to The Health Insurance Authority under existing legislative provisions and additional functions that might possibly be assigned to the Health Insurance Authority.
- Identify and analyse any implications for competition of existing primary and secondary legislation affecting private health insurance.
- On the basis of the analysis and conclusions of the joint report of the health insurance market.
 - Make recommendations for change to any enactment or administrative practice that is limiting competition in private health insurance in the State to the detriment of consumers.
 - Make other recommendations deemed appropriate.

The two Authorities intend to report to the Tánaiste by the end of September 2006, with recommendations to encourage competition in the health insurance market and/or other strategies to improve the functioning of the health insurance market that would benefit consumers.

INTRODUCTION

(These details may become relevant as this submission progresses)

The Submitter is a married male aged 64, retired from full-time work, living in a private dwelling without a mortgage, wife living, four grown up children aged between 23 – 35, all with third-level education and working, two living at home, and no member of the family qualifying for free or subsidised healthcare other than the State subsidy for medicines after payment of the monthly stipend – currently €85.

We have been consumers of private health insurance, firstly with VHI and latterly, thanks to the competition permitted in the Republic of Ireland to date, with BUPA where we were permitted to avail of better premium costs for similar, or better, services.

At the outset it may be important to state that I am generally opposed to action by State Authorities in the market that led to BUPA being forced to subsidise VHI and other suppliers of health insurance products on the basis of claims that the scene is unbalanced due to some insurers having a greater number of aged policyholders.

This fails to acknowledge that those more elderly policyholders were their customers for many years previously.

Some fundamental questions need to be answered during this consultative process.

For example, what is the reason for having private health insurance? Is there a real need for this, or is there a better way to finance health care? Do clients actually need competition between private health insurers?

I believe it is unnecessary, undesirable, and overkill at too-high public expense, to have two State Authorities (The Competition Authority and The Health Insurance Authority) examining the same issues. This will lead to excessive administration and increased costs that can be better used elsewhere in public healthcare services. Communications issues will slow the processes down; make important decisions more difficult to achieve; increase scope for confusion and disagreements; leave openings for market participants to delay or frustrate consumer-friendly initiatives; and give scope for unsatisfactory arrangements from the consumers' point of view.

- ***Place this matter in the hands of a single Authority, which could become the sole provider of insurance.***

PRIMARY HEALTH CARE AND PRIVATE HEALTH INSURANCE

- Primary health care should be provided by the State, paid for through taxes, and managed to encourage the general population to seek good health, to remain healthy for as long as possible, and to have immediate access to proper treatment when they become ill. None of this should be reliant on private health insurance.
 - Access to health care should be dictated by the needs of the customer, i.e. preventative care should be offered before clients become seriously ill, and sick people should be afforded prompt access to proper treatment at the earliest possible opportunity - to offer them the best chance of a return to good health quickly. This should not be dependent on whether they can afford insurance, as it mostly is now.
- Health insurance should not be a substitute for primary health care and should never be used as a way for the State to avoid its responsibilities for making quality community health care available to its citizens when they **need** those services, or as a means to save the State money - at the expense of vulnerable people.
 - The primary aim of health **insurance** services should be to provide funding to bridge treatment and health care gaps that are left after the public health service (funded by taxation paid) has contributed at the best possible levels to the proper and appropriate health care of the customer. It must cease being the means to skip public health service queues.
 - A secondary aim could be to provide for discretionary services to fund treatments outside the primary health care areas at additional premium costs in a manner similar to most other insurance services e.g. windscreen cover for motor vehicles, no-claims bonus protection, etc.
 - People might purchase health insurance to allow them to access additional care facilities and services after treatment.
 - There is a strong case to be made for removing health insurance from the private insurances market and for the State to establish a State Agency to provide, manage and maintain this community service.
- ***Ideally, the State should provide primary health care for the citizens and an agency, controlled by the State, should provide health insurance that is bought and paid for by citizens who choose to do so.***

SPECIFIC AUTHORITIES' QUERIES:

PART 1:

Examine market structure in relation to private health insurance and identify relevant submarkets, if they exist. These markets will be analysed from the perspective of restrictions on the degree of rivalry, barriers to entry and barriers to switching private health insurers.

- Without resources or access to information other than what is made normally available to customers, as a consumer, I am limited in what I can contribute to this, and other questions asked in the invitation. However, as a consumer, there are things I can usefully say that should interest the Authority.
- Whilst consumers have seen some evidence of some rivalry in public between the providers of private health insurance in Ireland, and the arrival of BUPA in particular offered significant relief to consumers through lower prices and improvements in services, most of the recent disagreement seems to have been about the 'community rating' issue rather than competition between suppliers for customers.
- As a consumer who switched from VHI to BUPA, for reasons of cost and a better level of services, I found changing over was smooth and without penalty. However, a family member who was offered membership of VHI as a job perk, was penalised when changing back to VHI.
- A significant part of the examination under this heading should be to test the need for 'private' health insurance in preference to 'State' health insurance and, whether competition between private operators, who need to make significant profits (through charging higher premiums) is indeed the best way to go forward with health care in Ireland.
- It is very clear that there are many people nominally living in Ireland who can easily afford the best health care and who have neither the need, nor the desire, for State support. Therefore, in considering this question, the Authority(s) should report on whether a top limit should be placed on entitlement to State benefit. Of course, if this is recommended, there will be a substantial onus on the Authority(s) to also lay down genuine and realistic parameters for judging fairly clients' entitlement to State subsidy. Currently this is an area where significant abuse takes place, and can be seen to take place across the country.

PART 2:

Identify and analyse industry practices, legislation and/or administrative practices in private health insurance in the State that limit the degree of rivalry in the marketplace to the detriment of consumers.

- As a consumer, my experience has been that I found no evidence to suggest there are flaws in these areas, so I am unable to contribute usefully to this section.

PART 3:

Identify barriers to switching private health insurers, analyse their origin, and, where appropriate, make recommendations to have unnecessary barriers to switching removed.

- I referred to this already in reply to Part 1. With regard to this question, I felt it had already been asked in Part 1, and may be an example of the type of difficulty I foresee where 'rivalry' between the Health Insurance Authority and the Competition Authority will arise if both are charged with dealing with the same, or very similar, issues.

- This, I believe, highlights the need for clarifying the role between the Authorities, or, better still, leaving this matter to one or other of the Authorities. Indeed, I question the need for the Health Insurance Authority if the Competition Authority is already in place and working.

PART 4:

Identify duties that could be assigned to The Health Insurance Authority under existing legislative provisions and additional functions that might possibly be assigned to the Health Insurance Authority.

- This Part illustrates perfectly why I am concerned about the introduction of a second Authority. It seems the Health Insurance Authority is so confused about its role that it has found the need to ask the public to tell it what its role, and functions, should be.
- The correct answer is to abandon the Health Insurance Authority, or turn it into the State Health Insurance provider to support and back up existing health care. This might put the VHI, BUPA et al out of business, saving hundreds, if not thousands of jobs where talented people could be dispersed more usefully elsewhere – at enormous cost savings to the overall health care budget and bringing significant benefits to health care consumers.

PART 5:

Identify and analyse any implications for competition of existing primary and secondary legislation affecting private health insurance.

- Again, this is a superfluous question that should have been answered satisfactorily in earlier parts.

PART 6:

On the basis of the analysis and conclusions of the joint report of the health insurance market.

- **Make recommendations for change to any enactment or administrative practice that is limiting competition in private health insurance in the State to the detriment of consumers.**
- **Make other recommendations deemed appropriate.**
- Other than to express my desire that the Authority(s) will get on with the job, will take the necessary hard decisions and will put the consumer first, I have nothing further to say except to wish the Authority(s) well in your deliberations.

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