

28W531 Roosevelt Road
Winfield, Illinois 60190 USA

April 11, 2006

The Competition Authority
Parnell House,
14 Parnell Square
Dublin 1

Dear Sir or Madam:

Thank you for opening your examination of the private health insurance market in Ireland to outside input and opinion.

The private health insurance market is currently dominated by VHI. With only three competitors and a market share nearing 80% nationwide, VHI exhibits exceptional pricing power in the industry. A Herfindahl Index computation puts the market at over 6,000, giving VHI a near monopoly. While the private health insurance market may be theoretically contestable, the semi-government status of VHI precludes any true competition.

These facts are well known but what to do about it is the real question.

A recommended course of action would be to restructure VHI into four distinct and separate companies, each assuming a quarter of VHI's assets and liabilities. The new companies would have an equal subscriber base from the various health board districts so as not to create regional monopolies but rather a more competitive oligopoly market.

The second step to increase competition would be to offer ownership of these individual companies to the public as investment vehicles. This separation from government would foster additional competition industry-wide as VHI would operate on a "level playing field" with BUPA, VIVAS, and any additional companies that might enter the market. When answerable to shareholders, managers of the subsequent VHI companies would be incentivized to establish and hit clear growth and financial targets, create innovative insurance products, and competitively price policies to attract and retain customers.

Over the last decade, Ireland has increasingly embraced free market principles and benefited greatly from them. By encouraging private sector investment in the healthcare industry, Ireland is poised to make tremendous strides in healthcare quality and service while controlling costs. The current private health insurance environment is a constraint that must be addressed and remedied for any further any meaningful progress in the state of Irish healthcare.

Sincerely,

Joseph C.M. Sheehan
Director, Blackrock Clinic, Dublin
Director, Galway Clinic, Galway