



Society of Actuaries in Ireland

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**The possible impact of the removal of  
private practice from public hospitals in  
Ireland**

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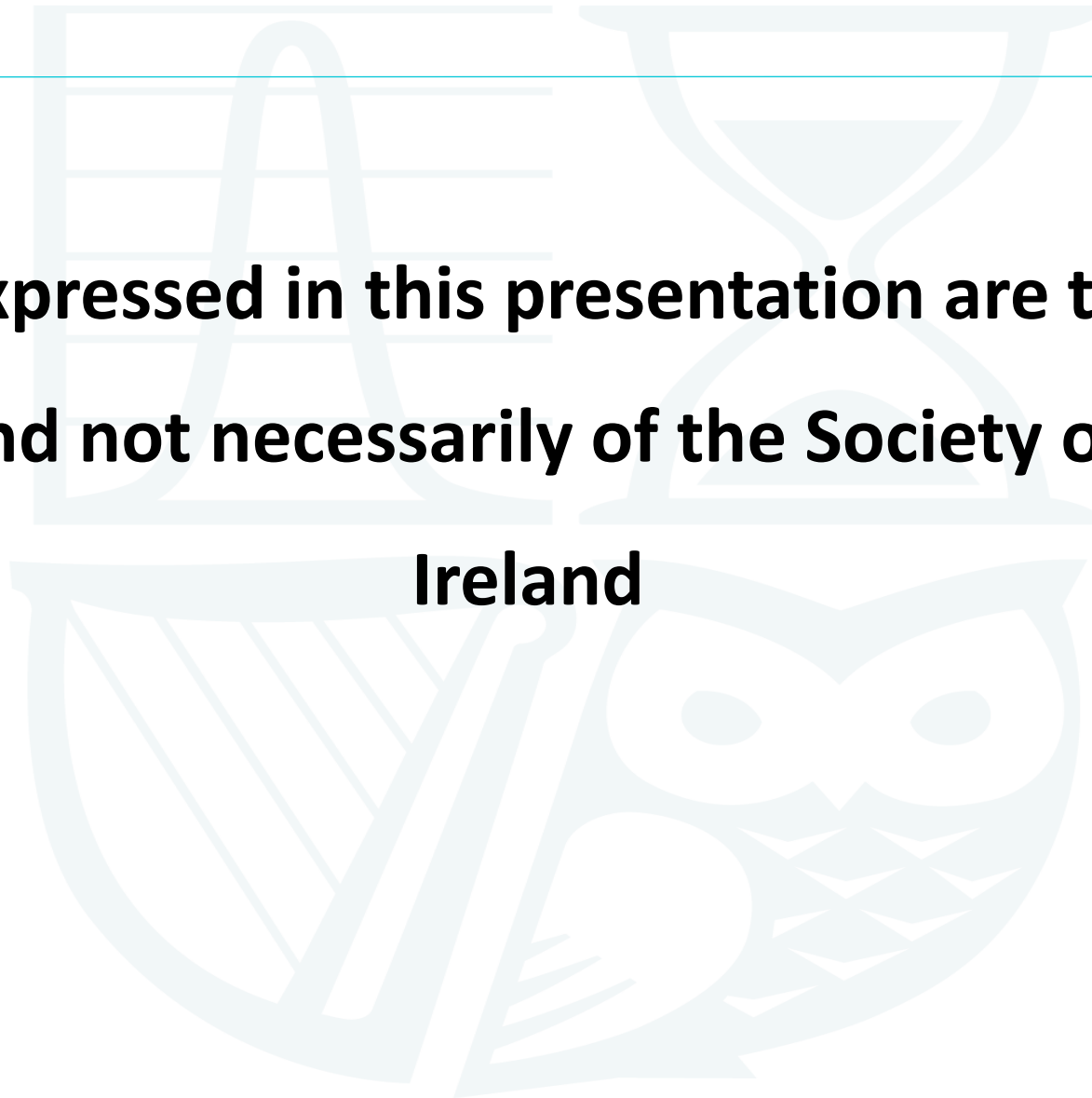
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# Disclaimer

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**The views expressed in this presentation are those of the presenter(s) and not necessarily of the Society of Actuaries in Ireland**



# Agenda

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1. Introduction
2. Background
3. Impact on market size
4. Impact on age demographic
5. Possible impact on premium & stamp duty
6. Future of the Irish PHI market



# Introduction

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- The possible impact on ***Private Health Insurance*** of the removal of private practice from public hospitals in Ireland.
- Questions we tried to address were:
  1. The possible impacts on the **total** PHI membership;
  2. The possible impacts on the ***age profile*** of individuals holding PHI in Ireland;
  3. The possible impacts on community rating and in particular the possible changes that may occur to the level of the ***Stamp Duty***;
  4. The possible impacts on the ***average market premium***;
  5. In the event that this scenario were to arise, is the **insurance market** as currently structured **sustainable**?
  6. To what extent **could the PHI market shrink** and continue to be a **viable community-rated market**?
  7. Is this proposal likely to cause a change in the ***nature of the PHI market and the products that are offered***?

- Significant uncertainty:





# Background

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- Current membership = 2.131m ---- increasing year on year
- 2016-2020 Risk Equalisation Scheme (“RES”)
- Health Insurance Act enshrine “the Principle Objective”
  - To ensure that access to health insurance cover is available to consumers of health services with no differentiation made between them based in whole or in part on their health risk status, age, sex or frequency of utilisation of health services
- Other Objectives:
  - To ensure the Health Insurance Market is sustainable and operates effectively which requires having a balance of healthy (or younger) and unhealthy (or older) members participating in the market,
  - To ensure the market operates on a level playing field for all insurers, the competition is open and fair and there are no barriers to new entrants entering the market and
  - To assess and avoid overcompensation that may occur due to the operation of the RES.



# Impact on market size

- There will be a reduction in total membership in the event of the Slaintecare proposals but to what extent?
- Main Considerations impacting the membership
  - Accessibility
  - Service provided
  - Cost of insurance
  - Market confidence
- Scenario Analysis
  - Scenario 1 – 25% lapse of public members only
  - Scenario 2 – 50% lapse of public members only
  - Scenario 3 – 100% lapse of public members only
  - Scenario 4 – 25% lapse of total membership (public & private)
  - Scenario 5 – 50% lapse of total membership (public & private)

Year 0	Pre-Implementation	Post-Implementation				
		Public Lapse Only			Public & Private Lapse	
		Scenario 1A	Scenario 2A	Scenario 3A	Scenario 4A	Scenario 5A
Membership	2,057,304	1,696,626	1,513,326	1,146,726	1,409,944	939,963
Market Premium (€000s)	2,497,566	2,166,844	1,932,742	1,464,540	1,800,709	1,200,472
Reduction		18%	26%	44%	31%	54%



# Impact on age demographic

- It is reasonable to expect that younger members will be more sensitive to the proposals than older members:
  - Generally Healthier
  - Lower disposable income
  - Open Enrolment Lifetime cover
- Employer schemes
- Average age of the membership can be expected to rise but at what rate?
  - Similar Scenarios to before but younger members experience double the lapse rate

Year 0	Pre-Implementation	Post-Implementation				
		Public Lapse Only			Public & Private Lapse	
		Scenario 1B	Scenario 2B	Scenario 3B	Scenario 4B	Scenario 5B
Membership	2,057,304	1,610,471	1,341,017	1,146,726	1,189,043	498,161
Market Premium (€000s)	2,497,566	2,109,088	1,815,633	1,464,540	1,649,050	864,849
Reduction		22%	35%	44%	42%	76%



# Possible Impact on premium and stamp duty

- 2 Timeframes considered
  - Day 1 is immediately
  - Day 1 is in 10 years time
- No material impact unless ***age demographic*** is impacted
- Impacts we have looked at are
  - the removal of Non-Advanced plans from the PHI market,
  - the removal of private maternity benefits from the PHI market and
  - the removal of a proportion of the PHI market membership due to members lapsing their policies.

	Pre-Implementation	Post-Implementation				
		Public Lapse Only			Public & Private Lapse	
		Scenario 1B	Scenario 2B	Scenario 3B	Scenario 4B	Scenario 5B
<b>Advanced average returned benefit (€)</b>						
Implementation at Year 0	1268	1281	1324	1249	1357	1698
Impact vs Pre-Implementation (€)		+13	+56	-19	+88	+430
Impact vs Pre-Implementation (%)		1%	4%	-1%	7%	34%
Implementation at Year 10	1985	2015	2081	1966	2129	2618
Impact vs Pre-Implementation (€)		+30	+96	-19	+145	+633
Impact vs Pre-Implementation (%)		2%	5%	-1%	7%	32%
<b>Advanced stamp duty (€)</b>						
Implementation at Year 0	444	462	477	450	487	564
Impact vs Pre-Implementation (€)		+18	+33	+6	+43	+120
Impact vs Pre-Implementation (%)		4%	7%	1%	10%	27%
Implementation at Year 10	776	791	812	777	826	914
Impact vs Pre-Implementation (€)		+15	+36	+1	+50	+138
Impact vs Pre-Implementation (%)		2%	5%	0%	6%	18%





# Future of the Irish PHI market

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- Short term impact
- The principle objective
- Is a reduced market sustainable?
- Is a market with an increasing age sustainable?
- Evolution of the insurance market