



THE HEALTH  
INSURANCE  
AUTHORITY

An tÚdarás Árachas Sláinte

Annual Report and Accounts

2010



**The Health Insurance Authority**

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# 1. Chairman's Statement

In accordance with Section 33(2) of the Health Insurance Act, 1994, I am pleased to present the Annual Report and Accounts of the Health Insurance Authority for the year ending 31 December 2010.

The Principal Objective of the Authority is set out in the Health Insurance Acts and involves the maintenance of community rating in the health insurance market. For this purpose a range of supports is required. In particular, such a market requires robust rules governing open enrolment, risk equalisation and minimum benefit. In recent years, a number of factors have combined to increase pressure on community rating. Specifically, the 2008 Supreme Court decision to set aside the 2003 Risk Equalisation Scheme removed an intended fundamental support to community rating. This occurred at the commencement of the economic downturn, which combined with rising premiums both reduced the market for and affected the affordability of health insurance.

Immediate action was required and a new interim risk equalisation scheme, based on the tax system, was introduced from the beginning of 2009. This system and the other measures introduced in the Health Insurance (Miscellaneous Provisions) Act, 2009 increased the support for community rating. In 2010, a key focus of the Authority's work was to further increase the support for community rating, including advising on the implementation of longer term arrangements.

In October 2010, the Authority reported to the Minister for Health and Children on market developments and on its evaluation and analysis of returns received from insurers. The report included a recommendation that the support for community rating provided by the interim tax based risk equalisation system be increased by 30% at older ages. This recommendation was duly implemented.

The Authority also conducted two major consultations during the year aimed at longer term enhancements to the regulatory framework. The first concerned the establishment of a long term risk equalisation system. The second related to updating and otherwise amending Minimum Benefit Regulations. Following the consultation processes, the Authority submitted two Reports on these matters to the Minister in December 2010.

Despite the improvements to the regulatory framework, the pressures on the market continued. The number of lower cost plans marketed directly to lower risk corporate schemes increased. In addition, other plans are marketed directly to younger people and families. Some plans have restrictions on benefits that are used more by older people. The general effect of these developments in the market has been that, increasingly, younger people are purchasing different plans to the plans purchased by older and less healthy people. This enables insurers to price each group differently so that older people are now, on average, paying more for their health insurance. This practice has continued into 2011, with price increases of up to 45% on products that have a large number of older members. An important means of addressing these developments is through improving the risk equalisation system, thereby reducing the incentive for insurers to charge different groups different premium rates.

In light of these market developments, it is not surprising that the Authority's consumer information function continues to increase in popularity with consumers, with over 1,500 people per day accessing information from the Authority through the Authority's website, consumer information booklets and through direct contact with the Authority's staff. The

information provided enables consumers to compare benefits and prices across the full range of health insurance plans provided by all insurers, and should assist consumers in mitigating the impact of price increases. The Authority also provides information through the media and with the renewal statements issued by insurers.

The economic downturn continues to impact on the health insurance market. Following many years of continuous growth in the number insured, the market size has decreased for the second year in a row. During 2010, the total number insured fell by 32,000. This follows a decline of 37,000 in 2009. In total the market declined by 3% over the two year period. The impact of the downturn can also be seen in research published by the Authority in 2010, which shows that, while consumers continue to value health insurance, affordability has become more of an issue. A continuing inflow of new younger customers is important for the stability of a voluntary health insurance market. While the rate of decline to date in the number of insured persons may be low in relative terms, the fact that the market has ceased growing in itself impacts significantly on the rate at which the market is ageing. There is also a risk, given the continuing economic downturn and premium inflation, that the rate of decline will accelerate, increasing the strain on the market.

In March, the Financial Regulator (now the Central Bank of Ireland) was granted an application for the appointment of administrators to Quinn Insurance Ltd. Quinn Insurance Ltd, trading as Quinn Healthcare, is the second largest health insurance undertaking in the market, providing health insurance to more than 450,000 people. The financial supervision and regulation of Quinn Insurance Ltd is a matter for the Central Bank of Ireland, which has stated that Quinn Insurance Limited would continue to renew policies, carry out new business and pay claims in the normal way. The relevant functions of the Authority relate to monitoring the health insurance market, advising the Minister for Health in relation to the market and providing information to consumers. In this context, the Authority maintains contact with the Central Bank of Ireland and Quinn Insurance Ltd and monitors developments in order to advise the Minister as appropriate.

The Programme for Government provides for the introduction of a system of universal health insurance by 2016. The introduction of universal health insurance will involve major changes in the regulation of the Irish health insurance market. The Authority looks forward to working with the Minister and his Department in designing and implementing a regulatory framework for the operation of universal health insurance.

I am pleased to recognise the work and dedication of the Members of the Authority during 2010. I wish to acknowledge, in particular, the substantial contribution of Ms Mary Doyle, who served as a Member of the Authority from 2001 to January 2011. I would like to thank Ms Mary Harney TD for her support as Minister for Health and Children and I look forward to working with the new Minister for Health, Dr James Reilly TD. Officials of the Department were also unstinting in their support.

Finally, the Authority expresses its appreciation for the work done by the staff of the Authority and for the commitment shown by them throughout 2010.



**J. Joyce**, *Chairman*

21 June 2011

## 2. Membership and Management of the Authority

### Membership

The Members of the Authority are appointed by the Minister for Health for a term of five years. The Members of the Authority as at 31 December 2010 are:

#### Mr. Jim Joyce (Chairman)

Mr. Joyce became Chairman of the Authority on 1 February 2006. Mr. Joyce is a Fellow of the Institute of Actuaries and the Society of Actuaries in Ireland and served as President of the Society for 1999/2000. His early career was in the Civil Service ending as Assistant Secretary in the Department of Posts and Telegraphs, following which he was Executive Director of Telecom Éireann from 1984 to 1992. He was Actuarial Consultant to the Department of Enterprise, Trade and Employment and then to the Irish Financial Services Regulatory Authority from 1992 to 2005.



#### Mr. Dónall Curtin

Mr. Curtin is a founder and Senior Partner of Byrne Curtin Kelly (Certified Public Accountants). He is a member of the Institute of Certified Public Accountants in Ireland. He is a Director on the Board of the Dublin Docklands Development Authority. Mr. Curtin is also a Director of Chambers Ireland and a member of the Chartered Institute of Arbitrators with considerable experience in arbitration, mediation and dispute resolution.



**Ms. Sheelagh Malin – Appointed to the Authority on 6 May 2010**

Ms. Malin is Managing Director of St. James's Place International plc, which is part of the UK wealth management group St. James's Place. She has over 20 years management experience in the life assurance industry, including roles in marketing and product development, financial reporting, compliance and the statutory "appointed actuary" function. She is a Fellow of the Society of Actuaries in Ireland and has participated in actuarial working parties on financial reporting, expense reserving and consumer information for cross-border life assurance business.

**Mr. Paul Turpin**

Mr. Turpin is a governance specialist with the Institute of Public Administration (I.P.A.) providing advisory and training services. Before joining the I.P.A. in 2006, he held a number of senior positions in banking and investment management. Previously he has worked in the public sector, including as Economic Adviser to Government Departments, with the National Economic and Social Council and with the European Commission.

**Ms. Mary Doyle – Term ended 31 January 2011**

Ms. Doyle is the Head of Prudential Supervision and Risk with the Irish Banking Federation. She is an Economist with extensive experience of Irish banking and business, focused on strategic economic analysis and developments in banking regulation. Ms Doyle has acted as an Economic Consultant for the World Bank and has undertaken research in the fields of training, tourism and EU regional policy. She has been a member of a number of industry-wide advisory groups, including the Irish Business and Employers' Confederation and the Irish Banking Federation.



## Management

The Management of the Authority are as follows:

### **Mr. Liam Sloyan**

Chief Executive/Registrar



### **Mr. Eamonn Horgan**

Corporate Affairs Manager/Secretary to the Authority



### **Mr. Brendan Lynch**

Head of Research/Technical Services



### **Mr. Micheal O'Briain**

Head of Regulatory Affairs



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### 3. Functions of the Authority

The Authority was established by Ministerial Order on 1 February 2001 under the Health Insurance Act, 1994 and operates in accordance with the provisions of this Act and the Health Insurance (Amendment) Acts (collectively “the Health Insurance Acts”).<sup>1</sup>

This legislation provides for the operation and regulation of the business of private health insurance in Ireland and legislates for the principles of private health insurance in Ireland, namely, community rating, open enrolment, lifetime cover and minimum benefit.

The principal functions of the Authority as provided for in the Health Insurance Acts include the following:

- to monitor the health insurance market and to advise the Minister (either at his or her request or on its own initiative) on matters relating to health insurance;
- to monitor the operation of the Health Insurance Acts and where appropriate, to issue enforcement notices to enforce compliance with the Acts;
- to carry out certain functions in relation to health insurance stamp duty and age related tax credits and in relation to any future risk equalisation scheme that may be introduced;
- to take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them; and
- to maintain the “Register of Health Benefits Undertakings” and the “Register of Health Insurance Contracts”.

The Authority shall exercise such powers as are necessary for the performance of its functions. The Minister for Health may assign further responsibilities to the Authority as provided for in the Acts.

<sup>1</sup> The Health Insurance Act, 1994 (Establishment Day) Order, 2001 (S.I. No. 40 of 2001).

## 3.1 Regulation

### 3.1.1 Regulatory Structure of the Market

The Irish private health insurance regulatory system is based on the key principles of community rating, open enrolment, lifetime cover and minimum benefit and aims to ensure that private health insurance does not cost more for those who need it most. The system is unfunded, meaning that there is no fund built up over the lifetime of an insured person to cover their expected claims cost. Instead, the money contributed by insured people is pooled by each insurer and the cost of claims in any given year taken from the pool.

It is in this context that the concept of community rating must be understood. This means that the level of risk that a particular consumer poses to an insurer does not affect the premium paid. In other words, everybody is charged the same premium for a particular plan, irrespective of age, gender and the current or likely future state of their health subject to exceptions in respect of children under 18 years of age, students under 23 in full time education, members of group schemes and pensioners of restricted membership undertakings.

Open enrolment and lifetime cover mean that, except in very limited circumstances specified in legislation, health insurers must accept all applicants for health insurance and all consumers are guaranteed the right to renew their policies regardless of their age or health status.

Under the Minimum Benefit Regulations, all insurance products that provide cover for inpatient hospital treatment must provide a certain minimum level of benefits. It is considered necessary to regulate the minimum level of benefits because of the complex and specialist nature of private health insurance products, which without regulation, could result in consumers being provided with products that do not provide a sufficiently comprehensive level of cover.

The Health Insurance Acts set out the principal objective of the Minister and the Authority under the legislation. The principal objective is directly linked to the concept of community rating and includes *“to ensure, in the interests of the common good, that access to health insurance cover is available to consumers of health services with no differentiation made between them (whether effected by income tax or stamp duty measures or other measures, or any combination thereof), in particular as regards the costs of health services, based in whole or in part on the respective age range and general health status of the members of any particular generation (or part thereof)...”*.

### 3.1.2 Risk Equalisation

Risk equalisation is a process that aims to address differences in insurers' claim costs that arise due to variations in the health status of their members. Risk equalisation involves payments to or from insurers related to the risk profile of their membership. Risk equalisation is a common mechanism in countries with community rated health insurance systems and the introduction of a Risk Equalisation Scheme in Ireland is provided for in the Health Insurance Acts.

In 2003, the Minister for Health and Children introduced a Risk Equalisation Scheme under the Health Insurance Acts. Under the Scheme, payments would only commence if the Authority recommended that they be commenced and the Minister accepted the Authority's recommendation. The Minister decided, on the Authority's recommendation, to commence risk equalisation under the then applicable legislation as from 1 January 2006, but in the event the relevant legislation was overturned in the Courts in 2008.

Following the quashing of the 2003 Risk Equalisation Scheme in 2008, the then Government announced its intention to introduce a new risk equalisation system that is "robust, transparent and effective". The Government recognised that such a system would take significant time to develop and introduced an interim system in the Health Insurance (Miscellaneous Provisions) Act, 2009.

### **Interim Taxation Based Risk Equalisation System**

The Health Insurance (Miscellaneous Provisions) Act, 2009 introduced a tax based risk equalisation system. The Act provides that Open Membership Insurers receive higher premiums in respect of insuring older people, but that older people receive tax credits equal to the amount of the additional premium so that all adults are charged the same net amount for a particular level of cover. In this way all adults with that level of cover pay the same net amount but insurers receive higher gross premiums in respect of insuring older people to partly compensate for the higher level of claims. The tax credits in the policy year starting in 2010 were €200 for those aged 50 to 59; €525 for those aged 60 to 69; €975 for those aged 70 to 79 and €1,250 for those aged over 80.

In order to fund the system, insurers pay a community rating levy in respect of all individuals that they cover. In 2010, this levy was €185 for adults and €55 for children.

The community rating levy and tax credits, like the existing tax relief at source of 20% of premium, are administered by the health insurance undertakings.

The legislation provides that the interim measures will be in place for three years (i.e. it applies for policies commencing in 2009, 2010 and 2011). In May 2010, the Minister for Health and Children stated that it is proposed that a robust risk equalisation system would apply from 2013 and that a transitional system will apply from the end of the interim measures until the commencement of the robust system.

### ***Determining the Amounts of the Age Related Tax Credits and Community Rating Levy***

The Health Insurance (Miscellaneous Provisions) Act, 2009 sets out how the age related tax credits are determined, as follows:

- The Authority evaluates and analyses claims, population and other data included in returns from insurers every 6 months.
- Once a year (in the autumn) the Authority issues a report to the Minister on its evaluation and analysis of these returns, if requested to do so by the Minister. This report includes recommendations on the amounts of the age related tax credits and the amount of the community rating levy. The recommendations have regard to the principal objective and the objective of avoiding overcompensation.

- The Minister may, having regard to the Authority's Report, the principal objective and competition make recommendations to the Minister for Finance on the amounts of the age related tax credits and on the amount of the community rating levy. The amounts become law if approved by the Oireachtas.

During 2010, the Authority received information returns for the second half of 2009 and for the first half of 2010 from each of the open membership insurers. A report on the evaluation and analysis of these returns, which included the Authority's recommendation on the amounts of the age related tax credits and community rating levy, was submitted to the Minister in October 2010. In December 2010, the Minister announced that it had been determined that the amounts of the age related tax credits for policies commencing from 1 January 2011 would be as follows:

Age Band	Tax Credit
50-59	€Nil
60-69	€625
70-79	€1,275
Over 80	€1,725

The community rating levy for policies commencing in 2011 is €205 for adults and €66 for children.

### ***Overcompensation Assessment***

The Authority is also required to assess whether the interim measures overcompensate any insurer.

- Once a year, by 1 April, insurers provide the Authority with profit and loss accounts and balance sheets insofar as they relate to business covered by information returns;
- The Authority assesses if any insurer has been overcompensated by the interim measures, enabling them to earn in excess of a reasonable profit. If the Authority is minded to take the view that an insurer has been overcompensated, the Authority will issue a draft report to the insurer. The Authority will then take account of any submissions received from that insurer before deciding whether overcompensation has occurred; and
- If the Authority decides that overcompensation has occurred it issues a report stating the amount of the overcompensation to the Minister and the insurer concerned. The insurer must then refund the amount of overcompensation to the Exchequer.

The first such assessment was in respect of calendar year 2009 and was conducted in 2010. The Authority determined that a reasonable profit in the Irish private health insurance market in 2009 equated to an 8.1% return on capital. The only undertaking that was a net beneficiary in 2009 was Vhi Healthcare. The Authority determined that Vhi Healthcare had not been overcompensated in 2009.

### 3.1.3 Government Decision May 2010

On 27 May 2010 the then Government announced a set of actions for the health insurance market. The main actions that impacted on the work of the Authority in 2010 were as follows:

- “Implement a new, robust, risk equalisation scheme to support the core policy of community rating. The Health Insurance Authority will issue a consultation document to the market within a matter of weeks and the goal is to publish legislation in 2011 with enactment and implementation by the start of 2013.
- The continuation of the present interim tax relief/levy system, and a new transitional arrangement from 2012 that will approximate as closely as possible to a full risk equalisation scheme. The Health Insurance Authority will advise on the level of tax-relief/levy for 2011 under the present interim system.
- The preparation of a new set of minimum benefits regulations for health insurance, so as to bring primary care and other services into the set of benefits that insurers must offer.
- The implementation of lifetime community rating, so that there is an incentive for people to take up health insurance earlier in their adult life, rather than later.”

Other actions announced by the Government included a range of actions relating to the prudential regulation, capitalisation and ownership of Vhi Healthcare.

Following on from the Decision, the Minister asked the Authority to consult in relation to a new robust risk equalisation system and in relation to a review of Minimum Benefit Regulations. These consultations are discussed in Section 3.2.2

The Authority also provided advice to the Department of Health and Children in relation to Lifetime Community Rating Regulations.

### 3.1.4 The Register of Health Benefits Undertakings

The Authority is responsible for the maintenance of “The Register for Health Benefits Undertakings” (“the Register”). Section 14 of the Health Insurance Acts, provides that any health insurer carrying on health insurance business in Ireland is required to register with and obtain a certificate from the Authority.

Application for renewal of registration is required on an annual basis. Upon registration, a certificate is issued to the health insurer, confirming that the insurer may offer private health insurance in accordance with the terms of its rules and within the relevant legislation.

There are two types of health insurance undertakings in Ireland. Open Membership Undertakings are health insurers that must accept all customers who wish to obtain private health insurance (subject to certain limited restrictions as specified in the legislation). Restricted Membership Undertakings are mainly vocational schemes, membership of which is restricted to employees of particular organisations. The 2009 Act provides that no new Restricted Membership Undertakings may be established.

Undertakings on “The Register of Health Benefits Undertakings” at 31 December 2010 are listed in Appendix C.

### **HSF Hospital Saturday Fund**

At the time that the Health Insurance Act 1994 was enacted, a partial exemption from certain provisions of the Act was granted to HSF Hospital Saturday Fund (HSF) and HSA Hospital Savings Association (HSA). Each of these organisations sold products that combined cash payments linked to the length of stay in hospital with cover for outpatient health services. Under the terms of the partial exemption, the products were not considered health insurance contracts and the two organisations were not required to register with the Health Insurance Authority. HSF purchased HSA's Irish business in 2008.

The Voluntary Health Insurance (Amendment) Act, 2008 provided for the removal of the partial exemption. The Minister subsequently determined to remove the partial exemption on 31 March 2010. As a result, in order to carry on health insurance business in Ireland, from 1 April 2010, HSF was required to register with the Health Insurance Authority and comply with all related requirements of the Health Insurance Acts. In 2009 and early 2010 the Authority worked with HSF in relation to its application for registration and its preparations for complying with the requirements on registered undertakings. HSF was added to the Register of Health Benefits Undertakings on 1 April 2010.

## **3.2 Research and Advice**

### **3.2.1 Monitoring the Health Insurance Market**

#### **Market Size and Structure**

The health insurance market is the largest non-life insurance market in Ireland. In 2009, premium income in the health insurance market was €1.85bn, compared with premium income of €1.3bn in motor insurance, which is the second largest non-life insurance market. In 2010, premium income in the health insurance market was €1.95bn.

As can be seen in Appendix A, the health insurance market grew for many years until it reached almost 2.30m (51.7% of the population) at the end of 2008. The size of the market fell in the following two years and at the end of 2010 the total number insured was just under 2.23m (49.8% of the population). While the reduction in the number insured (3% over the two year period) is small in relative terms, the fact that the market has stopped increasing and has started to reduce is significant and has increased the rate at which the market is ageing. In 2010, the number of people insured under the age of 30 fell by more than 37,000. The economic recession and fall in employment in the last two years may have had a disproportionate effect on younger people as regards their demand for health insurance. They appear more likely to allow their policies to lapse or to switch to a lower cost product or provider.

In a voluntary community rated market based on intergenerational solidarity, retention of existing profitable members and an influx of new younger members are key to market stability. One option in a voluntary market is to encourage younger people to purchase health insurance through a system of premium loadings for those who wait until they are older before they take out health insurance for the first time (i.e. Lifetime Community Rating). In a universal health insurance market, such a system is not required because everybody is required to have health insurance, regardless of their age.

Vhi Healthcare has lost market share in every year since its monopoly ended in January 1997. At the end of 2010 Vhi Healthcare had 62% of the market, Quinn Healthcare had 21% of the market and Aviva Health had 14% of the market. The remainder of the market was held by restricted membership undertakings. Vhi Healthcare's losses in terms of market share have been predominantly in the younger age cohorts. By the end of 2010, Vhi Healthcare had 56% of the 30-39 age group but 93% of those over the age of 80.

### **Administration of Quinn Insurance Ltd**

On 30 March, the Financial Regulator (now the Central Bank of Ireland) was granted an application for the appointment of administrators to Quinn Insurance Ltd. According to its affidavit, the Financial Regulator made the application "arising from grave concerns on the part of the Financial Regulator in respect of the financial position of the insurer, the manner in which it has been and continues to be managed and its inability to comply with Supervisory Regulations in a material respect, namely the obligation to maintain an adequate solvency margin." The role of the administrators under the Insurance Acts is to "carry on the business of the insurer as a going concern with a view to placing it on a sound commercial and financial footing."

Quinn Insurance Ltd, trading as Quinn Healthcare conducts health insurance business and is included in the Register of Health Benefits Undertakings maintained by the Health Insurance Authority. While financial supervision and financial regulation of Quinn Insurance Ltd is a matter for the Central Bank of Ireland, the Authority is required to monitor the health insurance market, advise the Minister for Health in relation to the market and provide information to consumers.

In the aftermath of the administration the Authority contacted the Central Bank of Ireland and the Administrators of Quinn Insurance Ltd. The Central Bank of Ireland stated that Irish policyholders of Quinn Insurance Limited could continue to renew policies, carry out new business and make claims in the normal way.

In order to facilitate the performance of its functions to monitor the market and advise the Minister, the Administrators of Quinn Insurance Ltd agreed to provide the Authority with information on its health insurance business in addition to the information included in statutory returns.

The Authority maintains contact with the Central Bank of Ireland and the company and continues to monitor developments.

## Product and Pricing Developments

There was a substantial increase in the number of health insurance products and product variations in the marketplace in 2010. There were 217 product variations in total in the marketplace at the end of 2010 compared to 182 at the end of 2009.

A notable product development in 2010 was an increase in the number of products that provide a lower level of benefit for certain orthopaedic and ophthalmic procedures in private hospitals. The prices of these plans are considerably lower than for comparable plans that provide full cover for orthopaedic and ophthalmic treatment in private hospitals.

In relation to pricing, 2010 saw significant increases in the prices of health insurance products. The Central Statistics Office publishes a price index for health insurance. The average for the year 2010 represented a 9.1% increase on 2009. The price increases were not uniform across products and there remains scope for most consumers to obtain better value. The Authority works to assist consumers by providing information on lower cost health insurance options on its website and by telephone and post. In most cases, the Authority can help consumers make substantial savings on their health insurance costs.

## Market Segmentation

Product developments have continued to concentrate on providing cover attractive to younger healthier customers but less attractive to older less healthy customers. While open enrolment means that anyone can buy any product, the marketing and product strategies adopted resulted in extensive product segmentation in the market. This was evidenced in the behaviour of insurers, all of which have introduced a range of corporate plans at more competitive prices aimed at particular segments of the market.

Insurers have run special offers/marketing campaigns aimed at preferred segments of the market. These have involved products aimed at group schemes offering more favourable terms and benefits that are aimed at younger customers. Very often, the full details and prices of better value plans are not easily found on insurers' websites. These plans are sold directly to lower risk corporate group schemes.

The net effect of this segmentation of risk both between and within insurers is that older and less healthy people are, on average, paying more for health insurance cover than younger healthier customers.

### 3.2.2 Consultations on Minimum Benefits and Risk Equalisation

At the request of the Minister, the Authority conducted two public consultations during 2010 on Minimum Benefits and Risk Equalisation. For both, the Authority published and circulated consultation papers in June.

#### Minimum Benefit Consultation

The current Minimum Benefit Regulations have not been substantively amended since they were introduced in 1996. In the intervening period, there has been significant change in Irish healthcare and healthcare policy (for instance, the primary care strategy) and considerable inflation in healthcare costs.

In July, the Authority published a Consultation Paper on the Minimum Benefit Regulations. The Paper addressed the following issues:

- Updating and possible simplification of the Regulations;
- Coverage of primary care and consideration of the primary care strategy;
- Chronic disease management;
- Changes to the provision of private care in public hospitals; and
- General economic policy considerations.

The Authority and its staff met with stakeholders to discuss the issues before finalising the Report to the Minister. The Authority submitted its Report to the Minister for Health and Children in December 2010.

### **Risk Equalisation Consultation**

As part of the Government decision in May 2010, the Authority was asked to consult in relation to a new robust risk equalisation scheme to support the core policy of community rating in the private health insurance market.

The Consultation Paper described risk equalisation systems in a number of other jurisdictions and considered three generic categories of possible risk factors in a risk equalisation system:

- Underlying risk factors, factors for which there is an objective classification method over which the insurer has no or limited effective means of controlling or interpreting but which is expected to be correlated to the claims cost of an individual. Examples might be age, gender, disability status, address, occupation status, occupation, welfare support, mortality, living alone or maternity;
- Diagnosis related factors, i.e. factors relating to medical conditions that are medically certified or are being investigated in an insured life which might be expected to be correlated to the claims cost of an individual. Examples might be specific conditions or groups of conditions; and
- Resource usage, i.e. factors that are directly related to the claims experience of insurers. Examples might be expenditure incurred or hospital bed utilisation.

Other issues that were discussed in the consultation paper included the following,

- How and to what extent risk factors used would be equalised;
- The level of insurance benefits to be included in the system; and
- The structure of a transitional risk equalisation system to apply in 2012.

The Authority and its staff met with stakeholders to discuss the issues before finalising the Report to the Minister. The Authority submitted its Report to the Minister for Health and Children in December 2010.

### 3.2.3 Commissioned Research on the Health Insurance Market

In May 2010, the Authority submitted to the Minister and subsequently published a research study of the private health insurance market in Ireland, which had been commissioned from Red C Research and Marketing Ltd. This was the fourth such research project that the Authority has conducted since its establishment in 2001. The series of research reports provides valuable information on the health insurance market, including trends over time in the market.

The research work included a national face-to-face survey of 1,000 adults and a survey of 300 businesses that was conducted primarily in late 2009.

The principal findings of the research were as follows:

- As expected, the recession has impacted on the demand for health insurance, although the decline of the proportion of the population with health insurance has been small to date;
- Key reasons given by former consumers for no longer having health insurance include cost (44%) and loss of job (19%);
- The number who plan to upgrade or maintain their level of cover over the next 12 months dropped from 89% in the 2007/2008 survey to 73% (22% don't know);
- 16% of respondents say that they have switched insurance provider (compared with 10% in 2007/2008);
- Consumers value their health insurance cover highly and there was a high level of satisfaction among consumers with regard to health insurance; and
- Private health insurance continues to be the second most valued employee benefit after a pension.

## 3.3 Consumer Interests

One of the functions of the Authority as provided for in the Health Insurance Acts is “to take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them”. Within this remit, the Authority aims to increase consumer awareness of their rights and assist them in understanding health insurance products. The Authority also monitors the provision of information to consumers by insurers as well as monitoring compliance with the Health Insurance Acts.

### 3.3.1 Consumer Queries and Complaints

The Authority assists consumers by answering queries regarding health insurance and by assisting them in resolving disputes with insurers. In 2010 the volume of queries and complaints received by the Authority more than doubled to over 2,250. The increase in the level of queries was significantly higher in December with nearly 600 calls being logged that month. Topics that were most frequently raised with the Authority were:

- requests for comparisons between health insurance products;
- general queries regarding health insurance products and waiting periods;
- rights in relation to switching insurers;
- the cost of private health insurance;
- service standards of insurers; and
- requests for the Authority's information publications.

During 2010 the Authority intervened successfully on behalf of consumers in relation to issues arising with respect to their health insurance. Two examples of cases addressed by the Authority are set out below.

#### Case Study 1

*A customer contacted the Authority with a complaint regarding the administration of her health insurance policy. She had been paying her health insurance premium through her employment. During 2010 she left her employment. Before leaving her employment, she advised the insurer that she would contact them after her departure to arrange direct payment of the remainder of the premium. When she contacted the insurer she was advised that her policy had been cancelled effective from the date she left her employer and a new contract had been started. She was told that a higher premium would be charged for the new contract.*

*The Authority contacted the insurer and enquired how the insurer could terminate the customer's contract as a result of a change in the method of payment to direct payment rather than payment via the employer. The insurer acknowledged that the member had been disadvantaged and this was due to their internal administration procedures. The member was fully reimbursed.*

#### Case Study 2

*A number of women contacted the Authority regarding their maternity claims with an insurer. In all cases the members had switched from the insurer during their pregnancies. In each case the second insurer covered costs associated with the birth. The first insurer refused to cover the claims for pre-natal care on the basis that, when the member gave birth, she was covered by a different insurer.*

*The Authority contacted the first insurer and enquired how they could refuse a claim for which the member was covered under the terms and conditions of their plan. The insurer acknowledged that it was liable for the claims and undertook to pay the claims and to re-train its staff accordingly.*

### 3.3.2 Consumer Information

The Health Insurance Act 1994, as amended, provides for the Authority to take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them. The Authority provides consumer information through a number of different channels, including the following:

- Consumer information statements from the Authority are included in renewal notices issued by insurers;
- The Authority's website includes detailed consumer information, including a product comparison facility covering all products available in the market and regular news articles;
- Advertorials and advertisements are placed in the national and local press;
- Consumer information booklets are distributed through over 1,200 locations, including doctors' surgeries, hospitals and citizens information centres;
- The Authority publishes a regular newsletter; and
- The Authority also issues product comparisons and other consumer information by post on request.

#### Website

The Authority maintains a website, which provides information to consumers in line with the consumer information functions allocated to the Authority in the Health Insurance (Miscellaneous Provisions) Act, 2009. The website includes a product comparison tool, which allows consumers to choose the most appropriate plans for their circumstances and compare benefits and prices of plans side by side. This new comparison tool provides consumers with access to details of every plan on the market and is the only resource where this information is available.

The number of visitors to the website increased dramatically throughout 2010 and, in the first three months of 2011, the website received an average of 100,000 hits per month.

The Authority's website was nominated for two major awards in 2010:

- The Golden Spider Awards, which are Ireland's premier technology and digital media awards; and
- The eGovernment awards, which are the recognised benchmark for excellence in Irish eGovernment services and standards.

# 4. Corporate Affairs

## 4.1 Strategy

The Authority was established as an independent regulator for the private health insurance market in Ireland. In fulfilment of this role, the Authority developed its work plan to include a vision, mission and values.

### The Vision of the Authority

The vision of the Authority is “to achieve its principal objective and to benefit the common good by supporting community rating, open enrolment and lifetime cover in a competitive health insurance market”.

### The Mission of the Authority

The mission of the Authority is:

- To monitor the health insurance market and to advise the Minister (either at his or her request or on its own initiative) on matters relating to health insurance;
- To monitor the operation of the Health Insurance Acts and, where appropriate, to issue enforcement notices to enforce compliance with the Acts;
- To carry out certain functions in relation to health insurance stamp duty and age related tax credits and in relation to any risk equalisation scheme that may be introduced;
- To take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them; and
- To maintain the “Register of Health Benefits Undertakings” and the “Register of Health Insurance Contracts”.

### The Values of the Authority

The Authority has adopted values to apply in its activities. The values of the Authority are to:

- Maintain its independence;
- Act always with impartiality and integrity;
- Work in a professional and effective way;
- Meet its unique challenges by being receptive to new ideas and suggestions from all sources and innovative in its approach;
- Maintain transparency in all its work; and
- Value its people.

## 4.2 Corporate Governance

### Corporate Governance Code of Practice

The Code of Practice for the Governance of the Health Insurance Authority is based on the updated “Code of Practice for the Governance of State Bodies” issued by the Department of Finance in May 2009.

### Ethics in Public Office

The Authority is included in Statutory Instrument No. 699 of 2004 for the purposes of the Ethics in Public Office Acts, 1995 and 2001. The Members of the Authority and relevant staff have fulfilled their obligations under this legislation.

### Annual Report and Accounts

The Annual Accounts for 2010 were prepared and submitted to the Office of the Comptroller and Auditor General (“the C&AG”) for audit. These Accounts have been audited and approved by that office and are set out in section 5 of this Annual Report and Accounts. The Authority adheres to corporate governance documentation issued by the C&AG in 2003 setting out guidelines and standards for submission of accounts for audit.

### Official Languages

The Authority is compliant with the Official Languages legislation and maintains contact with the Department of Arts, Heritage and Gaeltacht Affairs in this regard.

### Freedom of Information

The Health Insurance Authority came within the scope of the Freedom of Information Act with the passage of the Freedom of Information Act 1997 (Prescribed Bodies) Regulations 2006, effective from 31 May 2006.

In addition to processing requests made under the Freedom of Information Acts as they are received, the Authority published two booklets, “A Guide to the Functions of and Records Held by the Authority” and “A Guide to the Rules, Procedures, and Practices of the Authority”, which together guide applicants through the Freedom of Information process. The guides are compiled in accordance with the Freedom of Information Acts and are published on the Authority’s website.

## 4.3 Relationship with Stakeholders

Throughout 2010 the Authority has endeavoured to maintain appropriate professional relationships with stakeholders in the Irish private health insurance market and has been receptive to suggestions and ideas from all sources. In order to do this, the Authority met regularly with stakeholders to discuss matters that fall within the Authority's areas of responsibility and, insofar as is possible, maintained transparency in its work. These stakeholders include consumers, insurers, professional bodies and other regulators.

### Communications Strategy

The Authority operates a policy of openness, consultation and discussion with relevant interested parties. The Authority welcomes communication with consumers, stakeholders and other interested parties in the provision of a regulatory service and in the performance of its functions.

## 4.4 Resources

### Staff

The Authority has sanction for nine staff.

### Funding

The operations of the Authority are funded by a levy on Registered Undertakings in accordance with Section 17 of the Health Insurance Act, 1994.<sup>2</sup> The Levy Regulations introduced by the Minister in 2001 set the rate to be paid at 0.14% of premium income of registered undertakings, which is payable on a quarterly basis. Registered undertakings are also obliged to submit details of the numbers of insured persons and the premium income. These statistics are summarised in *Appendix A*. The Register of Health Benefits Undertakings as at 31 December 2010 is set out in *Appendix C*.

The Levy Regulations introduced by the Minister were amended in 2010 by the Health Insurance Act 1994 (Section 17) Levy (Amendment) Regulations 2010, which reduced the levy payable to the Authority to 0.12% of premium income. The new rate became effective from 1 January 2011.

<sup>2</sup> The Health Insurance Act, 1994 (Section 17) Levy Regulations, 2001 (S.I. No. 255 of 2001).

# 5. Report and Accounts

Report and Accounts for the year 1 January 2010 to 31 December 2010

## To the Minister for Health

In accordance with the terms of Section 32(2) of the Health Insurance Act, 1994, The Health Insurance Authority presents its Report and Accounts for the twelve-month period ended 31 December 2010.

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## Authority Information

### Members of the Authority

Jim Joyce (Chairman), *since 2006*

Dónall Curtin, *since 2006*

Mary Doyle, *February 2001 to January 2011*

Sheelagh Malin, *since May 2010*

Paul Turpin, *since October 2007*

### Chief Executive/Registrar

Liam Sloyan

### Secretary

Eamonn Horgan

### Bankers

AIB plc.

40/41 Westmoreland Street

Dublin 2

Irish Life & Permanent plc

56/59 St Stephen's Green

Dublin 2

### Auditors

Comptroller and Auditor General

Dublin Castle

Dublin 2

### Offices

Canal House

Canal Road

Dublin 6

# Report of the Comptroller and Auditor General for Presentation to the Houses of the Oireachtas

I have audited the financial statements of the Health Insurance Authority for the year ended 31 December 2010 under the Health Insurance Act 1994. The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

## Responsibilities of the Authority

The Authority is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Authority's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

## Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State Bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Authority's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Authority's affairs at 31 December 2010 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Authority. The financial statements are in agreement with the books of account.

## Matters on which I Report by Exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Authority's Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- the Statement on Internal Financial Control does not reflect the Authority's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.



**Andrew Harkness**

*For and on behalf of Comptroller and Auditor General*

23 June 2011

## Statement on Internal Financial Control

The Chairman and Members of the Authority acknowledge that the board of the Authority is responsible for The Health Insurance Authority's system of internal financial control.

The Chairman and Members also acknowledge that such a system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and any material errors or irregularities are either prevented or would be detected in a timely manner.

The Members of the Authority have set out the following key procedures designed to provide effective internal financial control within the Authority:

As provided for in Section 26(5) of the Health Insurance Act, 1994, the Chief Executive/Registrar ("the CE") is responsible for carrying on and managing and controlling generally the administration and business of the Authority and shall perform such other functions as may be determined by the Authority. The Members of the Authority have agreed that the CE and staff are responsible for operational matters. The CE reports to the Members at their meetings which are usually held on a monthly basis.

A formal process for the identification, evaluation, mitigation and management of business risk has been undertaken and includes:

- The identification and nature of risks;
- The likelihood of occurrence;
- The financial or other implications;
- Mitigating factors;
- Measures to manage the identified risks; and
- Monitoring and reporting on the process.

The Members have adopted a Code of Practice for the Governance of The Health Insurance Authority based on the Department of Finance Code of Practice for Governance of State Bodies as updated in 2009. The Members have adopted Rules in relation to the Procedure and Business of the Meetings of The Health Insurance Authority for their meetings.

The Authority implements a set of financial procedures setting out the financial instructions, notes of procedures and delegation practices. The Audit Committee reviews the management accounts, annual financial statements, budgeting and financial procedures generally. The Committee met to review the financial matters relating to the year 2010. Consultants have been engaged in key areas where such services were deemed appropriate including accountants and internal audit consultants.

The Authority has in place a computer software system incorporating an accounting package and a payroll package to facilitate the internal financial controls of the Authority.

Due to the size of the organisation and the number of staff employed, the Authority engaged an external accounting firm to prepare and monitor the financial statements for the Authority and to perform a monthly financial reporting mechanism on the management of the accounts generally, including budgets.

We confirm that a review of the effectiveness of the system of internal financial controls was carried out in respect of 2010.

**Signed on behalf of the Members of the Authority**



**Jim Joyce**

*Chairman, The Health Insurance Authority*

20 June 2011

## Statement of Responsibilities of the Authority

Section 32(2) of the Health Insurance Act, 1994, requires the Members of the Authority to prepare financial statements in such form as may be approved by the Minister for Health and Children after consultation with the Minister for Finance. In preparing those financial statements, the Authority is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation.

The Authority is responsible for keeping proper books of account, which disclose in a true and fair manner at any time the financial position of the Authority and which enable it to ensure that the financial statements comply with Section 32(2) of the Act. The Authority is also responsible for safeguarding the assets of the Authority and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**J. Joyce**  
*Chairman*



**P. Turpin**  
*Member*

20 June 2011

## Statement of Accounting Policies

The significant accounting policies adopted in these financial statements are as follows:

### Basis of Accounting

The financial statements are prepared in accordance with generally accepted accounting principles and under the historical cost convention and comply with the financial reporting standards of the Accounting Standards Board.

### Levy Income

The levy income represents the amount collected by the Authority in respect of the period. This takes account of payments made to the Authority in accordance with the Health Insurance Acts, 1994-2007 and the reasonableness of this figure is checked against the expected levy income based on the Authority's profile of private health insurance schemes.

### Expenditure Recognition

Expenditure is recognised in the financial statements on an accruals basis as it is incurred.

### Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation, charged to the Income and Expenditure Account, is calculated in order to write off the cost of fixed assets over their estimated useful lives, under the straight-line method, at the annual rate of 33 1/3% for computer equipment and 20% for all other assets from date of acquisition.

### Foreign Currencies

Transactions denominated in foreign currencies are converted into euro during the year and are included in the Income and Expenditure Account for the period.

Monetary assets and liabilities denominated in foreign currencies are converted into euro at exchange rates ruling at the balance sheet date and resulting gains and losses are included in the Income and Expenditure Account for the period.

## Superannuation

In accordance with Section 28 of the Health Insurance Act, 1994, the Authority may, with the consent of the Minister for Health and Children and the Minister for Finance, make a scheme for the granting of superannuation benefits to staff members of the Authority. The Authority is in the process of finalising such a scheme in cooperation with both Departments and is making the necessary deductions from salaries which are retained by the Authority, but are not recognised as income. The Authority is also providing for employer contributions to the Scheme. For the purposes of Financial Reporting Standard 17, the Authority considers the scheme to be equivalent to a defined contribution scheme, from its point of view, and it has accounted for it accordingly.

## General Reserve

As the Authority's role as the regulator and advisor of the Irish Health Insurance Market develops, the potential for additional costs arising from exceptional circumstances increases. It is anticipated that any liability materialising in this instance will be met by the General Reserve.

## Income and Expenditure Account

for the year ended 31 December, 2010

	<i>Notes</i>	12 months ended 31 December, 2010 €	12 months ended 31 December, 2009 €
Income	1	2,698,861	2,615,683
Administration Costs	2	(1,216,190)	(1,534,952)
<b>Excess of income over expenditure</b>		1,482,671	1,080,731
Interest Receivable		69,693	64,214
<b>Surplus for the period</b>		<b>1,552,364</b>	<b>1,144,945</b>
Accumulated Surplus at beginning of period		2,795,924	1,700,979
Transfer to General Reserve	9	(50,000)	(50,000)
<b>Accumulated Surplus at end of period</b>		<b>4,298,288</b>	<b>2,795,924</b>

There are no recognised gains or losses, other than those dealt with in the Income and Expenditure Account.



**J. Joyce**  
*Chairman*

20 June 2011



**P. Turpin**  
*Member*

The Statement of Accounting Policies and notes 1 to 12 form part of these Financial Statements.

## Balance Sheet

at 31 December, 2010

	Notes	2010 €	2009 €
<b>Fixed assets</b>			
Tangible assets	5	36,435	41,328
<b>Current assets</b>			
Bank and Cash		5,884,193	4,331,052
Prepayments and other debtors	6	826,895	813,128
		6,711,088	5,144,180
<b>Creditors (amounts falling due within one year)</b>			
Creditors and accruals	7	(1,091,340)	(1,081,689)
<b>Net current assets</b>		5,619,748	4,062,491
<b>Total assets less current liabilities</b>		5,656,183	4,103,819
<b>Net assets</b>		<b>5,656,183</b>	<b>4,103,819</b>
<b>Representing</b>			
Accumulated excess income over expenditure	9	4,298,288	2,795,924
General Reserve		1,357,895	1,307,895
		<b>5,656,183</b>	<b>4,103,819</b>



**J. Joyce**  
Chairman

20 June 2011



**P. Turpin**  
Member

The Statement of Accounting Policies and notes 1 to 12 form part of these Financial Statements.

## Notes

(forming part of the financial statements)

### 1. Income

Section 17 of the Health Insurance Act, 1994 provides for the payment of an income levy by registered undertakings to the Authority every quarter in order to fund the operations of the Authority and make adequate provision for contingencies. The Health Insurance Act, 1994 (Section 17) Levy Regulations, 2001 set the rate for the income levy at 0.14% of the assessable amount paid to all commercial and restricted undertakings in Ireland. The rate has subsequently been reduced to 0.12% by the Health Insurance Act 1994 (Section 17) Levy (Amendment) Regulations 2010.

	2010 €	2009 €
Income Levy	2,698,861	2,615,538
Freedom of information	–	145
	<b>2,698,861</b>	<b>2,615,683</b>

### 2. Administration Costs

	2010 €	2009 €
Salaries and staff costs <b>(Note 3)</b>	644,685	670,582
Training costs	16,854	9,490
Directors Fees <b>(Note 3)</b>	30,940	34,904
Rent, Service Charges and Maintenance	154,506	158,159
Consultancy <b>(Note 4)</b>	24,443	354,265
Insurance	38,866	41,040
Computer and Stationery Costs	23,574	23,148
Other Administration Costs	26,373	34,847
Consumer Information	224,563	187,909
Audit	12,220	12,220
Depreciation	19,166	8,388
	<b>1,216,190</b>	<b>1,534,952</b>

The Health Insurance Authority rents offices at Canal House, Canal Road, Dublin 6 at a cost of €129,389 per annum. This rental agreement expires on 12 May 2012.

### 3. Directors Fees and CEO Remuneration

Fees payable to individual board members for 2010 were Jim Joyce (Chairman), €9,017 (2009: €10,500) Dónall Curtin €6,003 (2009: €7,000), Mary Doyle €6,003 (2009: €7,000), Sheelagh Malin €3,913 (appointed May 2010), Paul Turpin €6,003 (2009: €7,000). Aidan O'Donnell resigned in June 2009, (€3,404). No expenses were paid to board members.

The Chief Executive's annual salary for 2010 was €103,552. The CEO's pension entitlements are in line with standard entitlements in the model public sector defined benefit superannuation scheme.

### 4. Consultancy Costs

	2010 €	2009 €
Accountancy	34,515	55,176
Actuarial Services	134,428	96,199
Legal Services	15,597	129,937
Refund of legal costs	(350,000)	–
Public Relations	44,733	43,897
Research	32,709	27,824
Superannuation	832	763
Translation Services	1,127	469
Management and development	1,602	–
Economic consultancy	108,900	–
	<b>24,443</b>	<b>354,265</b>

In September 2010 the Health Insurance Authority received a refund of €350,000 in respect of legal costs incurred in previous years regarding High Court judicial review proceedings. The refund arose from an insurance policy held by the Authority.

## 5. Tangible Fixed Assets

	Computer Equipment €	Office Fitting, Furniture & Equipment €	Website Development €	Total €
<b>Cost</b>				
At 31 December 2009	87,950	333,500	23,185	444,635
Additions during period	1,084	–	13,189	14,273
Disposals during period	0	0	0	0
At 31 December 2010	89,034	333,500	36,374	458,908
<b>Depreciation</b>				
At 31 December 2009	71,026	331,091	1,190	403,307
Charge for period	8,257	685	10,224	19,166
Depreciation on disposals	0	0	0	0
At 31 December 2010	79,283	331,776	11,414	422,473
<b>Net Book Value</b>				
At 31 December 2010	9,751	1,724	24,960	36,435
At 31 December 2009	16,924	2,409	21,995	41,328

## 6. Prepayments and other debtors

	2010 €	2009 €
Accrued income	684,517	711,182
Prepayments and Other Debtors	141,868	101,437
Travel Cards	510	509
	<b>826,895</b>	<b>813,128</b>

## 7. Creditors (amounts falling due within one year)

	2010 €	2009 €
Trade creditors and accruals	177,199	319,485
Pensions provision <b>(Note 8)</b>	868,848	723,507
Pension levy	2,542	2,540
PAYE/PRSI	13,108	14,335
Professional Services Withholding Tax	11,786	12,001
Value Added Taxation	17,857	9,821
	<b>1,091,340</b>	<b>1,081,689</b>

## 8. Pensions Provision

The Authority had drafted a defined benefit pension scheme for its employees. The scheme structure is based on the Public Service Model and approval by the Minister for Health and the Minister for Finance is awaited. Contributions including employer contributions are at a rate of 25% from July 2006, (16.66% previously) of pensionable pay and are charged to the Income and Expenditure Account. The accumulated contributions are held for the account of the Minister for Health and the Minister has agreed to reimburse the Authority in respect of benefits arising under the scheme. The following contributions are included in the heading, "Salaries and Staff Costs (including training)" **(Note 2)**:

	2010 €	2009 €
At beginning of period	723,507	572,384
Employee Contributions	25,332	26,429
Employer Contributions	120,009	124,694
<b>Total</b>	<b>868,848</b>	<b>723,507</b>

In addition €32,498 was deducted from staff by way of pension levy and was paid over to the Department of Health.

## 9. Accumulated Surplus on Income and Expenditure Account

	2010 €	2009 €
At beginning of period	2,795,924	1,700,979
Surplus for period	1,552,364	1,144,945
	4,348,288	2,845,924
Transfer to General Reserve	(50,000)	(50,000)
Retained surplus	4,298,288	2,795,924

## 10. Capital Commitments

There were no commitments for capital expenditure at 31 December 2010.

## 11. Disclosure of Interests

The Authority has adopted procedures in accordance with the guidelines issued by the Department of Finance in relation to the disclosure of interests by Authority members and the Authority has adhered to these procedures. There were no transactions in the year in relation to the Authority's activities in which board members had an interest.

## 12. Approval of Financial Statements

The Financial Statements were approved by the Members of the Authority on 20 June 2011.

## 6. Appendices

### Appendix A

#### Statistics Relating to the Private Health Insurance Market in Ireland, 2010

**Table 1: Insured Persons<sup>(1)(2)</sup>**

Year Ended	Total Insured Persons (000s)	Private Health Insurance Coverage as % of Population
December 2001	1,871	48.2%
December 2002	1,941	49.2%
December 2003	1,999	49.8%
December 2004	2,054	50.4%
December 2005	2,115	50.6%
December 2006	2,174	50.9%
December 2007	2,245	51.2%
December 2008	2,297	51.7%
December 2009	2,260	50.6%
December 2010	2,228	49.8%

**Table 2: Premium Income**

Year	Total Income (€m)
2002	821.9
2003	978.2
2004	1,061.1
2005	1,152.7
2006	1,236.2
2007	1,477.8
2008	1,652.2
2009	1,846.7
2010	1,949.1

(1) All figures relate to the total private health insurance market, i.e. open enrolment and restricted undertakings.

(2) Population figures are based on Central Statistics Office population estimates.

## Market Shares

The following table shows how market shares have changed since the establishment of the Authority.

December	Vhi Healthcare %	Quinn Healthcare*	Hibernian AVIVA Health**	Restricted Membership Undertakings***
2001	82.2	12.6	–	5.2
2002	80.5	14.6	–	4.9
2003	77.8	17.4	–	4.8
2004	75.8	19.5	–	4.7
2005	73.9	21.0	1.0	4.1
2006	71.7	21.4	2.9	4.0
2007	69.5	21.2	5.4	3.9
2008	66.8	21.6	7.7	3.9
2009	62.9	22.8	10.4	3.9
2010	61.6	20.8	13.7	3.9

\* In respect of 2006 and earlier years the data relates to BUPA Ireland.

\*\* In respect of 2007 and earlier years the data relates to VIVAS Health.

\*\*\* These mainly consist of the Garda, ESB and Prison Officer Schemes.

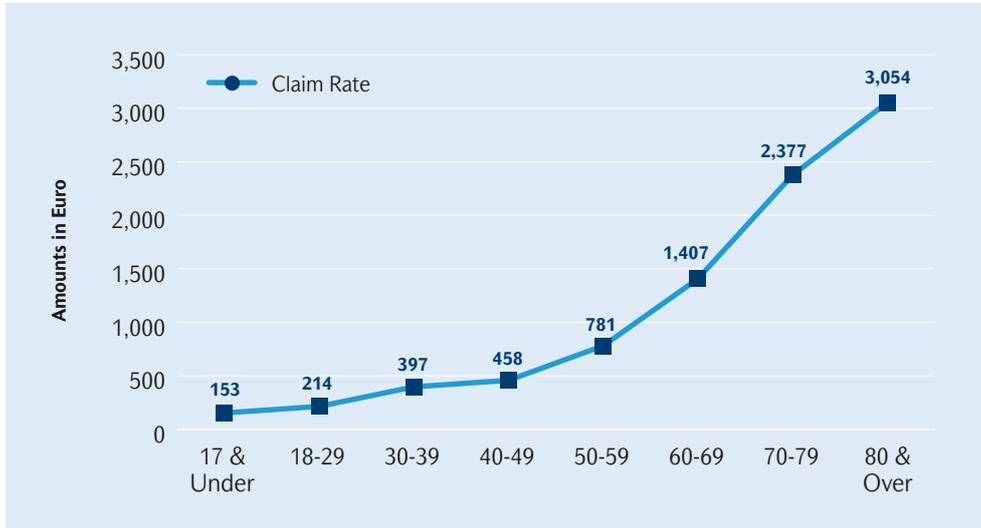
The following table shows how market shares vary with age as at December 2010. The table below refers to open membership insurers only and excludes the restricted membership undertakings.

Age Group	Vhi Healthcare %	Quinn Healthcare %	Hibernian AVIVA Health %
0-49	59	25	16
50-59	66	20	14
60-69	74	17	9
70-79	86	9	4
80 and over	93	4	2

## Appendix B

### Claim Variation by Age

#### Claims Included in Returns per Insured Person in 2010



The source of the data in the above chart is information returns submitted to the Authority by insurers. These returns exclude c. 20% of claims.

## Appendix C

### The Register of Health Benefits Undertakings as at 31 December 2010

#### **Open Membership Undertakings**

1. Aviva Health Insurance Limited (trading as Aviva Health);
2. H.S.F. Health Plan Limited (trading as Hospital Saturday Fund);
3. Quinn Insurance Limited (trading as Quinn Healthcare); and
4. The Voluntary Health Insurance Board (trading as VHI Healthcare).

#### **Restricted Membership Undertakings**

1. E.S.B. Staff Medical Provident Fund;
2. Irish Life Assurance Plc Outdoor Staff Benevolent Fund;
3. Irish Life Medical Aid Society;
4. New Ireland/Irish National Staff Benevolent Fund;
5. Prison Officers' Medical Aid Society;
6. St. Paul's Garda Medical Aid Society; and
7. The Goulding Voluntary Medical Scheme.

## Appendix D

### Authority Meeting Attendance, 2010

Authority Member	Meetings Attended*
Mr. Jim Joyce, <i>Chairman</i>	12
Mr. Donall Curtin	8
Ms. Mary Doyle	11
Ms. Sheelagh Malin**	8
Mr. Paul Turpin	12

\* There were a total of twelve Authority meetings held in 2010.

\*\* Ms. Malin was appointed to the Authority on 06 May 2010.