



An tÚdarás Árachas Sláinte  
The Health Insurance Authority

**Report of the Authority to the Minister for Health on an evaluation and analysis of returns from 1 July 2018 to 30 June 2019, including advice on Risk Equalisation Credits.**

September 2019

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## **Introduction**

### Requested Report

The Minister for Health (“the Minister”) has requested that the Health Insurance Authority provide a Report to the Minister under Section 7E of the Health Insurance Act 1994. It was requested that the Report include an evaluation and analysis of Returns for the period 1 July 2018 to 30 June 2019.

In preparing such a Report the Authority is required to include:

- Such matters concerning the carrying on of health insurance business that the Authority considers ought to be brought to the attention of the Minister,
- The Authority’s conclusions in relation to what Risk Equalisation Credits and stamp duty would be appropriate having had regard to the criteria set out in Section 7E(1)(b) of the Act.

## Section A – Summary and Conclusions

### Credits and Stamp duty

The Authority proposes that the following credits should apply for health insurance policies that are renewed or entered into on or after 1 April 2020.

Age Bands	Utilisation credits (overnight / day case) from 1 April 2020	Age / gender / level of cover credits from 1 April 2020			
		Non-advanced		Advanced	
		Men	Women	Men	Women
64 and under	€100 / €75	€0	€0	€0	€0
65-69	€100 / €75	€350	€225	€1,150	€675
70-74	€100 / €75	€575	€425	€1,850	€1,300
75-79	€100 / €75	€850	€625	€2,650	€1,950
80-84	€100 / €75	€1,075	€775	€3,350	€2,525
85 and above	€100 / €75	€1,225	€925	€4,300	€3,025

The credits that currently apply are as follows:

Age Bands	Utilisation credits from 1 March 2019	Age / gender / level of cover credits from 1 April 2019			
		Non-advanced		Advanced	
		Men	Women	Men	Women
64 and under	€100 / €50	€0	€0	€0	€0
65-69	€100 / €50	€400	€275	€1,050	€700
70-74	€100 / €50	€650	€475	€1,775	€1,225
75-79	€100 / €50	€925	€725	€2,775	€1,900
80-84	€100 / €50	€1,050	€925	€3,300	€2,475
85 and above	€100 / €50	€1,350	€1,075	€4,600	€3,100

The Authority considers that the stamp duties that would need to be paid by the insurers on policies that are renewed or entered into between 1 April 2020 and 31 March 2021, in order to meet the cost to the Risk Equalisation Fund (“REF”) of the recommended Risk Equalisation Credits, are as follows:

Age Bands	Stamp duties from 1 April 2020 to 31 March 2021	
	Non-advanced	Advanced
17 and under	€52	€150
18 and over	€157	€449

The Authority is recommending that the stamp duty on Advanced contracts increases slightly to €449 (from €444) and the Non-advanced adult stamp duty reduces to €157 (from €177).

### Evaluation and Analysis of Data Received

The evaluation and analysis of returns and of the other data received by the Authority for the twelve months ending 30 June 2019 shows that, after the application of health credits and stamp duty for policies renewing in 2019, the market average net claims cost for older people continues to be higher than the market average net claims cost for

younger people with the net claims costs for ages 60-64 being the highest due to no Risk Equalisation Premium Credits applying at that age range.

The number of insured persons included in returns increased in the period July 2018 – July 2019 by 2.5%, from 2,078,363 at 1 July 2018 to 2,131,288 at 1 July 2019. The ratio of Non-advanced to Advanced contracts has remained stable during that time at about 1:10.

The ageing of the insured market in the last year added 0.5% to the average claims cost per insured person. Notwithstanding this, there was an increase of 2% in the average returned benefit per insured life in the last year. This was primarily due to a 4% increase in total returned benefits paid in the year to end June 2019 of €1,949m compared to €1,874m in the year to end June 2018. Overall the corresponding increase in the average number of insured lives was 2.4% during the same period.

[REDACTED]

Revised submissions were provided for past periods 31 December 2017, 30 June 2018, and 31 December 2018 which restated the CCV statistics for use within this report. Thus some of the information contained within this report differs from that of past reports. The correction to the data used results in a reduction in expected stamp duties as less HUC credits are expected to be required to be paid from the REF.

#### Review of Market Developments

There has been a trend of increasing prices within the market reflecting insurers' views of increasing claims costs.

There does appear to be some level of simplification of product offering occurring. The number of inpatient private health insurance plans on the Product Register has fallen from 339 on 30 July 2018 to 300 on 30 July 2019.

The proposed introduction of Sláintecare, with the removal of private practice from public hospitals, is likely to be a disruptor to the private health insurance market. The "Report of the Independent Review Group established to examine Private Activity in Public Hospitals" notes potential impacts in terms of premiums and consumer offerings as a result of the introduction of Sláintecare. Given the likely timing required to remove private practice from public hospitals, the disruption is unlikely to have a material market impact in the short to medium term.

#### Financial Information and Overcompensation

[REDACTED] in recommending Risk Equalisation Credits, the Authority must have regard to the aim of avoiding overcompensation. Overcompensation arises if an undertaking that is a net beneficiary of the risk equalisation system makes a profit that exceeds a "reasonable profit" over a three year period. The legislation specifies that a reasonable profit equates to a return

on sales gross of reinsurance and excluding investment activities that does not exceed 4.4% per annum on a rolling three year basis.



### Evaluation of returns and market developments

The evaluation and analysis of information returns, financial information and market developments indicate the following:

- There is a continued need to provide support for community rating.
- The fact that the net claims cost reduces between ages 65 and 80 (Charts B.1 – B. 4) suggests that these Risk Equalisation Premium Credits should be reduced rather than increased.

### Hospital Utilisation Credits Recommendation

The Hospital Utilisation Credits is a proxy for health status and provides support in respect of less healthy people. The Authority is recommending that the current level of Hospital Utilisation Credit remains at €100 per night. The Authority is recommending that the level of Hospital Utilisation Credit for day case admissions increases from €50 to €75.

### Risk Equalisation Premium Credits Recommendation

Consistent with last year, the Authority is recommending that the Risk Equalisation Premium Credits (Age Credits) be such that, for all age groups from age 65 and over, the net claims cost is 130% of the market average net claims cost. This supports the Principal Objective by reducing the differential in the net claims costs between, in particular, older and younger people. The Authority is recommending that the claim costs paid in the period July 2018 – June 2019 is used as a base for projecting future claim costs.

The Authority is of the opinion that there is a balance to be struck between sustaining community rating by keeping health insurance affordable for older less healthy consumers and maintaining the sustainability of the market by keeping younger healthier consumers in the market. The Authority is of the opinion that the credits and stamp duties that it is proposing strike a balance between these conflicting objectives.

The Authority notes that expected net claims cost at ages 60-64 will continue to be higher than for older ages as no Risk Equalisation Premium Credits continue to be proposed for this age group.

Consistent with last year, the Authority proposes that credits for Non-advanced cover contracts would continue to be based on the average claim costs for Non-advanced contracts. A smoothing factor has been used for claims costs for Non-advanced contracts aged over 65 by applying the average ratio of Non-advanced claims cost to Level 2 claims cost for all ages over age 65 combined.

### Stamp duty for Non-advanced cover plans

The Authority recommends that the stamp duty paid in respect of Non-advanced plans is reduced from 40% to 35% of the stamp duty applying for Advanced plans.

### Financial Position of the Risk Equalisation Fund

The 2018 year end audited Balance Sheet for the REF showed a surplus of €38.96m since the commencement of the Fund in 2013. Management accounts at end June 2019 show a projected surplus of €26.56m.

In view of the accounting position of the Fund at 30 June 2019, the Authority is of the view that there is likely to be a surplus of circa €30.0m in the fund when the credits and stamp duty on all contracts that commence in advance of 1 April 2020 are fully earned.

The Authority, having regard to the aim of avoiding the Fund sustaining surpluses or deficits from year to year, is allowing for this estimated surplus in its recommendation of stamp duties for policies commencing in the period 1 April 2020 to 31 March 2021.

### Projected Net Financial Impacts

The calculations of the projected net financial impacts for a 12 month period based on the credits and stamp duty applying for policies commencing in the period 1 April 2020 to 31 March 2021 are as follows:

€m	Irish Life Health	Laya Healthcare	Vhi Healthcare	Total
Age Related Health Credits	████	████	████	658.8
Hospital Utilisation Credit	████	████	████	171.2
Stamp duty	████	████	████	-800.0
████████████████████				████
████████████████████				█
Net Financial Impact*	████	████	████	<b>30.0</b>
Net Financial impact per insured life (€)	████	████	████	€16

████████████████████ Thus overall the REF is expected to utilise the €30m surplus expected to exist in the REF when the credits and stamp duty on all contracts that commence in advance of 1 April 2020 are fully earned.

The projected net financial impact of the current credits and stamp duty, as set out in the October 2018 Report for policies commencing in the period 1 April 2019 to 31 March 2020, are shown below:

€m	Irish Life Health	Laya Healthcare	Vhi Healthcare	Total
Age Related Health Credits	████	████	████	613.5
Hospital Bed Utilisation Credit	████	████	████	166.7
Stamp duty	████	████	████	-752.2
Estimated surplus in the REF				28.0
<b>Total</b>	████	████	████	<b>28.0</b>
Net Financial impact per insured life (€)	████	████	████	€16

The projections for individual insurers are sensitive to developments in each insurer's age profile and market share by age group, which can be influenced by their product or pricing strategy or by developments in one particular insurer. It is not possible to accurately predict many of these factors. As such, projections of the net financial impact on individual insurers are subject to considerable uncertainty and should be viewed as indicative only.

The net financial impact on the REF is sensitive to the rate of ageing of the insured population, which in turn is impacted by the rate of growth / decline in the market. It follows that the extent to which the REF is cost neutral will depend on how closely the assumptions made in this report are borne out in practice.

### Summary of impact of using alternative methodologies for 2021

Below is a list of alternatives to the recommended methodology for setting credits and stamp duty from 1 April 2020.

1. Reduce claims cost ceiling by 5% to 125%.
5. Reduce Claims inflation to 3%.
7. Rate of increase in bed night utilisation to 2%.

	Recommended	1	5	7
<b>Age Credit Applicable</b>	65+	65+	65+	65+
<b>Advanced Average Returned Benefits calculated using</b>	Level 2 Claims	Level 2 Claims	Level 2 Claims	Level 2 Claims
<b>Claims Cost Ceiling</b>	130%	125%	130%	130%
<b>Claims inflation per annum</b>	4%	4%	3%	4%
<b>Bed Night Inflation per annum</b>	1%	1%	1%	2%
<b>Advanced Average hospital utilisation calculated using</b>	Level 2	Level 2	Level 2	Level 2
<b>Bed Night payment</b>	€100	€100	€100	€100
<b>Day Case payment</b>	€75	€75	€75	€75
<b>Surplus</b>	€30m	€30m	€30m	€30m
<b>Stamp duty (Advanced)</b>	€449	€465	€442	€451
<b>Non Advanced Stamp duty %</b>	35%	35%	35%	35%

See Appendix D for more detailed sensitivity analysis.

Each individual insurer submitted a proposal to the Authority for consideration in setting the credits and stamp duty for policies commencing from 1 April 2020. The Authority has reviewed these proposals to understand the potential impact on the level of stamp duties and the projected net financial impact of each insurer.



The Authority has concluded that a number of items raised by the insurers should be incorporated into the credits and stamp duty for policies commencing from 1 April 2020, namely:

- A reduction in the ratio of the stamp duty applying for Non-advanced plans from 40% to 35% of the stamp duty applying for Advanced plans; and
- An increase in the level of Hospital Utilisation Credit for day case admissions from €50 to €75.

The Authority has also concluded that consideration to include the other remaining proposals should be undertaken as part of the next Risk Equalisation Scheme design.

## Section B – Evaluation and Analysis of Returns and other Data Requested

### Information Returns

Half-yearly returns for the July to December 2018 and January to June 2019 periods were received from Irish Life Health DAC (trading as Irish Life Health), Great Lakes Reinsurance UK Ltd (formerly trading as GloHealth), Elips Insurances Ltd (trading as Laya Healthcare, Swiss Re Portfolio Partners (former Quinn Insurance Ltd business) and Vhi Insurance DAC (trading as Vhi Healthcare)). The returns were accompanied by independent accountants' reports and analyses of the differences between total claims paid and returned benefits.



Revised submissions were provided for past periods 31 December 2017, 30 June 2018, and 31 December 2018 which restated the CCV statistics for use within this report. Thus some of the information contained within this report differs from that of past reports.

Aviva Health Insurance Ireland Ltd was acquired by Irish Life Group on 2 August 2016 and was renamed as Irish Life Health DAC. GloHealth, which is now also part of the Irish Life Group (previously Irish Life Group had a 49% shareholding), closed to new and renewing business from 22 February 2017 and the business is now being written by Irish Life Health. For the purpose of this analysis, Aviva Health and GloHealth have been analysed as one entity throughout this Report under the title of Irish Life Health.

Quinn Insurance Ltd ceased writing new health insurance business with effect from 1 May 2012. At their renewal dates, Quinn Insurance's customers were invited to renew contracts with Laya Healthcare. In the analysis for this report, combined claim figures for Swiss Re Portfolio Partners (former Quinn Insurance health claims) and Laya Healthcare are used, where appropriate.

This Report is, to a significant extent, based on the information returns received under the Health Insurance Act 1994 (Information Returns) Regulations 2009, as amended, for the two 6-month periods commencing on 1 July 2018 and on 1 January 2019. Where appropriate, account has also been taken of data submitted for earlier periods.

The information returns received by the Authority include data on "returned benefits". These benefits exclude certain benefit payments. The main exclusions from returned benefits are:

- Benefits relating to services not involving a hospital stay; and
- Benefits relating to services otherwise excluded from the definition of "Returned Health Services".

### **Proportion of claims included in returns:**

The benefits included in information returns (described as “returned benefits”) as a percentage of total benefits paid for the second half of 2018 and for the first half of 2019 are set out in Table B.1.

Table B.1

Insurer	Returned Benefits July – Dec 2018	Returned Benefits Jan – June 2019
Irish Life Health	████	████
Laya Healthcare	████	████
Vhi Healthcare	████	████
Total	89%	89%

The Benefits excluded from Returned Benefits are primarily claims in respect of outpatient benefits. Outpatient claims are normally higher in the first half of a calendar year, possibly due to clients making both tax and health insurance RE claims in the first half of the calendar year.

### **Membership Profile**

#### Market Size

Table B.2 sets out the membership details and market shares of insurers. The data is taken from returns for the first half of 2018, the second half of 2018 and the first half of 2019. The data excludes members serving initial waiting periods.

Table B.2

Insurer	01-Jul-18		01-Jan-19		01-Jul-19	
	Members 000s	Market Share (%)	Members 000s	Market Share (%)	Members 000s	Market Share (%)
Irish Life Health	████	████	████	████	████	████
Laya Healthcare	████	████	████	████	████	████
Vhi Healthcare	████	████	████	████	████	████
Total	2,078		2,107		2,131	

As of end June 2019, 45.7% of the Irish population are estimated to have private health insurance (including restricted undertakings), which is 0.5% higher than the percentages observed at end June 2018<sup>1</sup>. The market share for each insurer has remained broadly the same when compared to the end of June 2018.

Table B.3

Insurer	Gross Premium Income 2018 (2017 in brackets)	
	€m	Market Share by premium (%)
Irish Life Health	████	████
Laya Healthcare	████	████
Vhi Healthcare	████	████
Total	2,527 (2,508)	

<sup>1</sup>Insured population at 1 July 2017 / 2018 and CSO population estimates.





Table B.7

€m's		Irish Life Health	Laya Healthcare	Vhi Healthcare	Total
First Half 2017	Public Hospital	██████	██████	██████	273 (29%)
	Private Hospital	██████	██████	██████	464 (50%)
	Consultant	██████	██████	██████	195 (21%)
	Sub Total	████	████	████	932
Second Half 2017	Public Hospital	██████	██████	██████	268 (28%)
	Private Hospital	██████	██████	██████	483 (51%)
	Consultant	██████	██████	██████	198 (21%)
	Sub Total	████	████	████	949
<b>2017 Total</b>		████	████	████	<b>1,881</b>
First Half 2018	Public Hospital	██████	██████	██████	253 (27%)
	Private Hospital	██████	██████	██████	480 (52%)
	Consultant	██████	██████	██████	192 (21%)
	Sub Total	████	████	████	925
Second Half 2018	Public Hospital	██████	██████	██████	256 (26%)
	Private Hospital	██████	██████	██████	513 (53%)
	Consultant	██████	██████	██████	206 (21%)
	Sub Total	████	████	████	975
<b>2018 Total</b>		████	████	████	<b>1,900</b>
First Half 2019	Public Hospital	██████	██████	██████	234 (24%)
	Private Hospital	██████	██████	██████	526 (54%)
	Consultant	██████	██████	██████	214 (22%)
	Sub Total	████	████	████	974

### Product Groups

#### Note on Terminology

In analysing returns, the Authority split data into levels of cover.

- Level 1 products provide cover mainly in public hospitals,
- Level 2 products provide substantial cover in private hospitals but this cover is mainly provided for semi-private accommodation,
- Higher levels of cover relate to products that provide cover for private accommodation in private hospitals.

The Report also refers to Non-advanced and Advanced contracts. These are references to definitions in the Health Insurance Act. A contract considered to be “Level 1” may or may not fall within the legal definition of a Non-advanced contract.

- Non-advanced products cannot provide more than 66% of the full cost for hospital charges in a private hospital.
- Level 2 contracts and Higher contracts are all “Advanced” contracts.

The data for products that offer similar levels of hospital cover was grouped by the Authority. The proportion of each insurer’s membership in each market segment on 1 July 2019 is shown in the Tables B.8 and B.9 (1 July 2018 figures are shown in brackets).

Table B.8

	Level 1 Products	Level 2 Products	Higher Cover Products
Irish Life Health	■	■	■
Laya Healthcare	■	■	■
Vhi Healthcare	■	■	■
Total	9% (10%)	76% (75%)	15% (15%)

Table B.9

	Non-advanced	Advanced
Irish Life Health	■	■
Laya Healthcare	■	■
Vhi Healthcare	■	■
Total	9% (9%)	91% (91%)

The total market split between Advanced & Non-advanced products has remained static since last year.

#### Non-advanced Credits and Stamp duty

The concept of Non-advanced contracts commenced on 1 January 2013 and the first contracts were categorised as Non-advanced on 31 March 2013. There are currently 28 products (Irish Life Health: ■, Laya Healthcare ■ and Vhi Healthcare ■) being marketed classified as Non-advanced with 184,268 members insured.

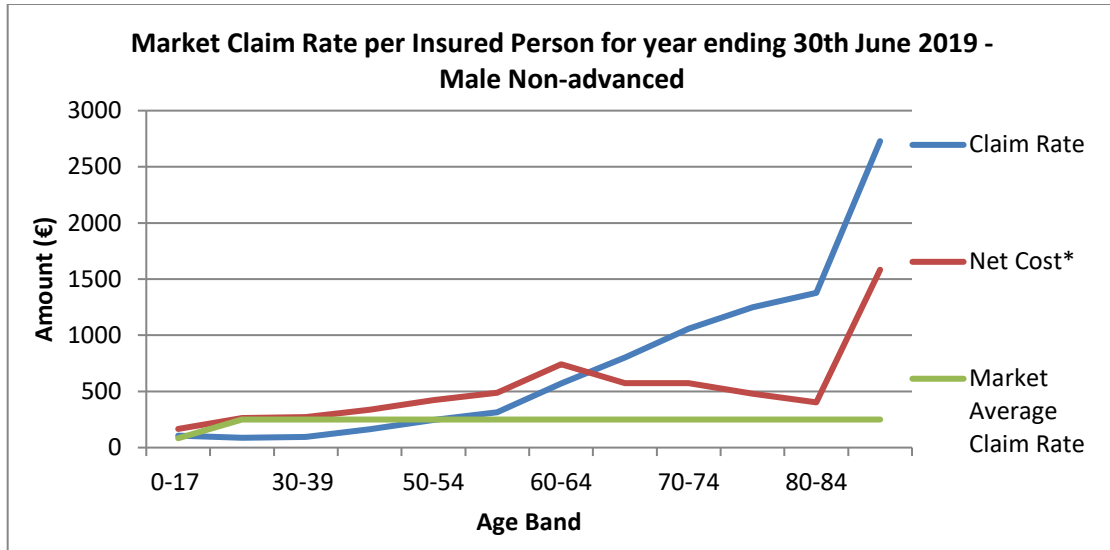
Consistent with last year, as the claims paid experience for Non-advanced contracts is becoming more mature and credible, we have used in this Report the actual average claim costs for Non-advanced contracts for the purpose of projecting future average claims of Non-advanced contracts.

#### Average claim per member for the market

The information returns provide claim rate for each age, gender and product for each insurer for the second half of 2018 and the first half of 2019. The average returned benefit per insured person (i.e. the claim rate) for each age group and for the market is calculated from these returns and increases with age group.

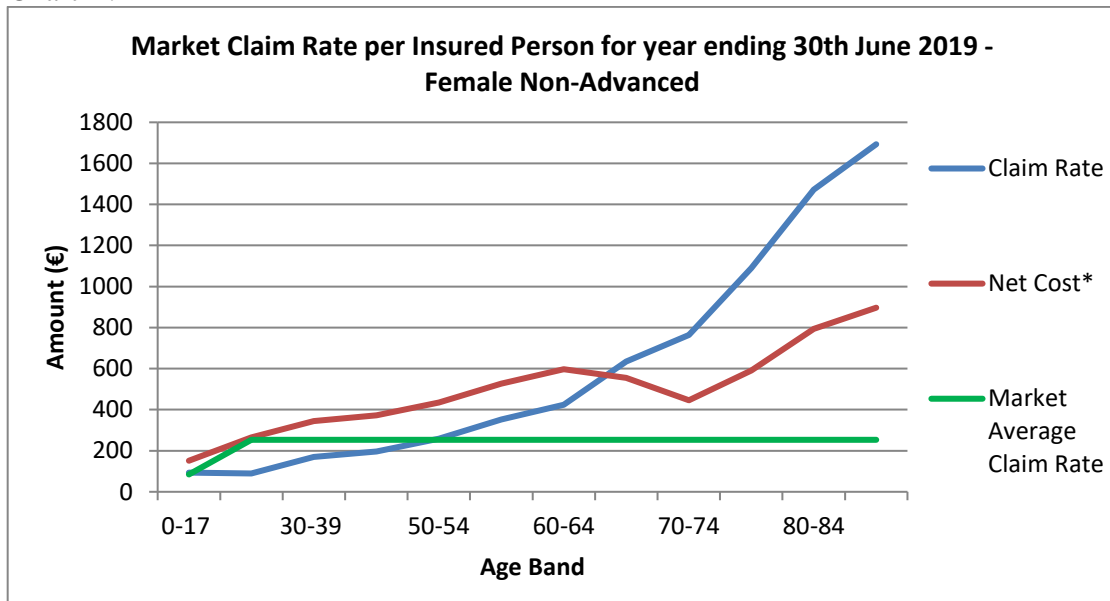
Charts B.1 to B.4 set out the average returned benefit by age, the market average claim rate, and the corresponding net cost after application of the current credits and stamp duties for the different age cohorts. This allows us to analyse the impact the current credits and stamp duty have on the claim rates for the 12 months ending June 2019 for these different cohorts of business. It should be noted that the 2019 credits apply for the policy year from the renewal date on or after 1 April 2019 while the market returned benefits are for the year ending June 2019.

Chart B.1



\* Net Cost is defined as average returned benefit for July 2018 – June 2019 plus stamp duty less age and Hospital Utilisation Credit for renewals from 1 April 2019 onwards. The same definition on Net Cost is applied to Charts B2 – B.4 below.

Chart B.2



For Non-advanced business the net cost (after application of the April 2019 credits and stamp duty) for many of the older age cohorts reduces as the age increases (65-84 for males and 65-74 for females) with some fluctuations due to the low numbers insured at these ages. This suggests that the age credits for Non-advanced contracts might be lowered.



Application of Advanced Credits and Stamp duty to Level 2 Products

Chart B.3

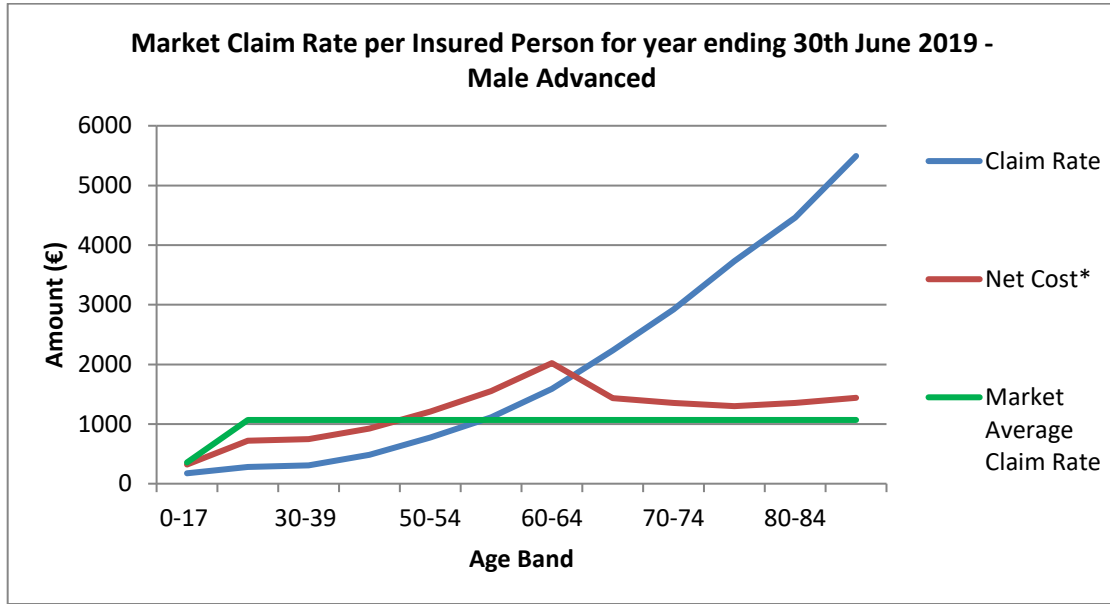
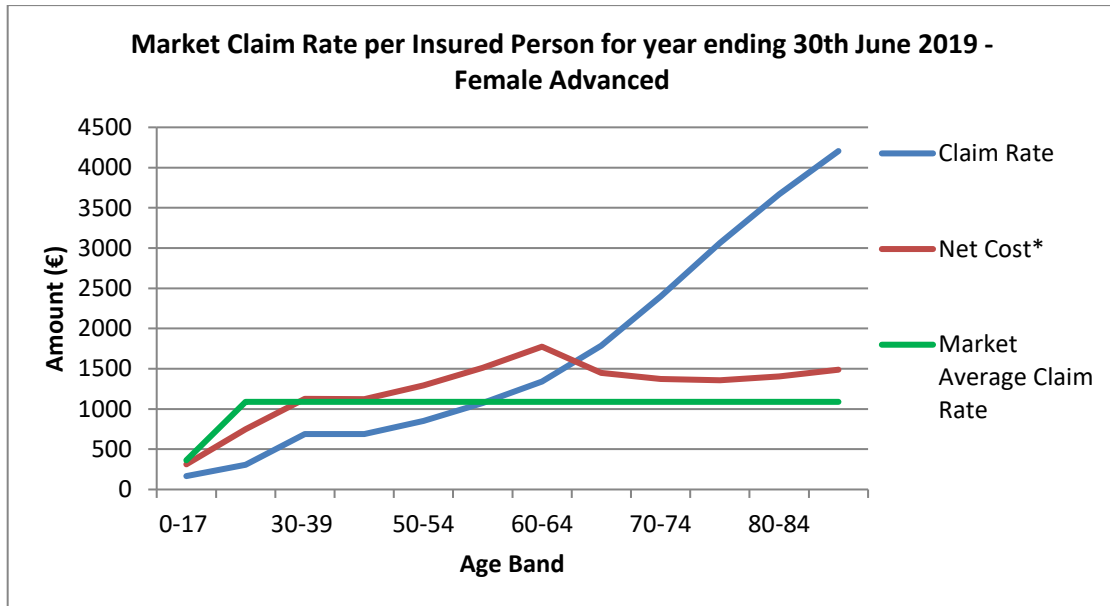


Chart B.4



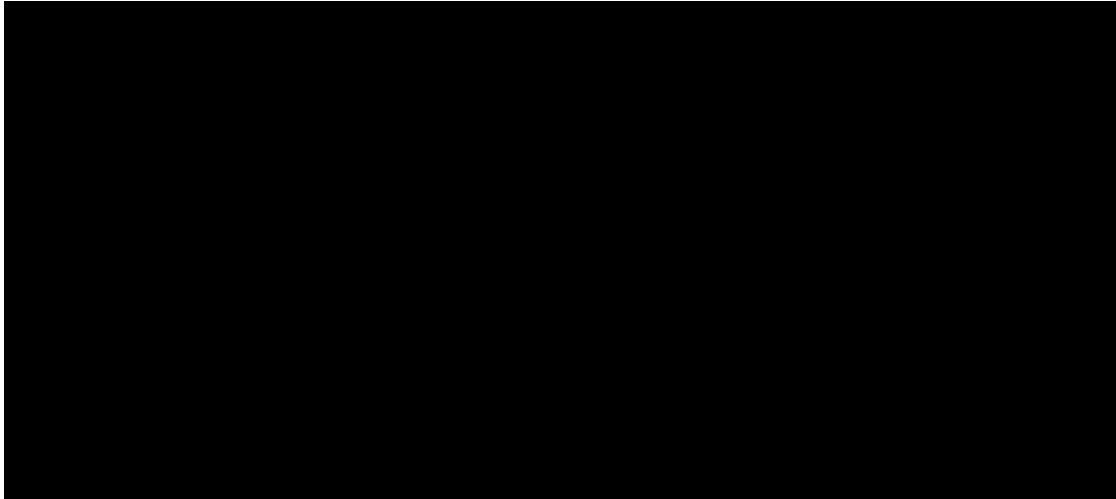
For Advanced products (using Level 2 costs) the net cost for ages 60 and over converges towards the market average claim rate. The 60-64 age group is an outlier for both males and females with higher net costs at that age group compared to lives in the adjacent age groupings. This is due to no age credits applying to the 60-64 age group.

Further analysis of the information returns for July to December 2018 and January to June 2019 is included in Appendix A.

Results by level of cover and insurer:

Charts B.5 and B.6 below show individual insurer's average levels of returned benefits per insured person for the year ending 30 June 2019 in respect of Non-advanced cover contracts (contracts mainly providing cover for public hospitals) and Level 2 cover contracts (contracts providing cover for a semi private room in most private hospitals in addition to cover for public hospitals).

Chart B.5



Overall, the rates of returned benefits per member for the three insurers are similar up to age 65-69. The claims experience is inconsistent at older ages as the number of insured lives by insurer are low.

Chart B.6

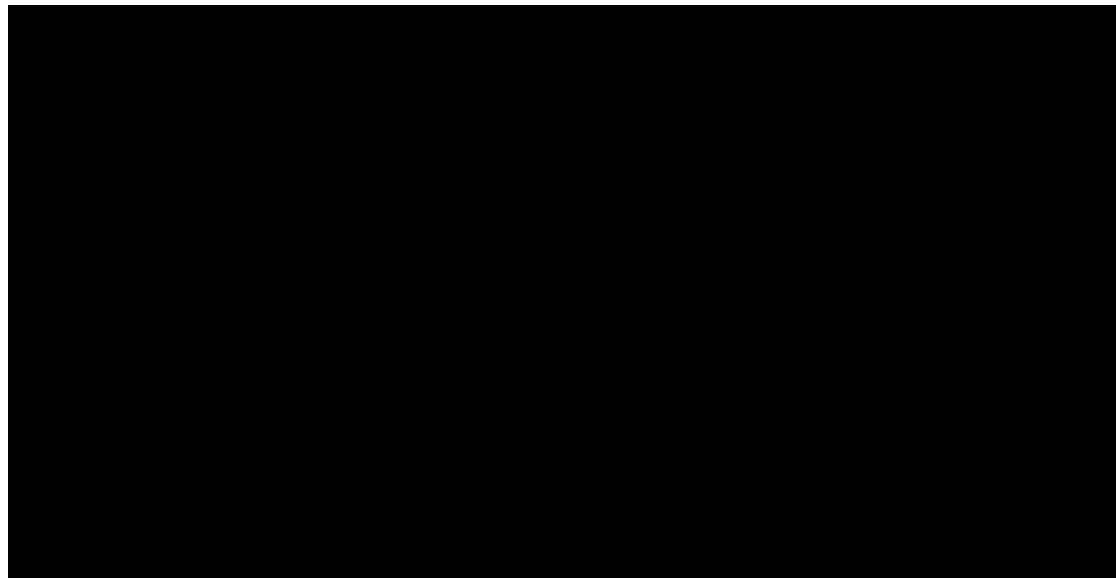



Chart B.7 shows how the market claim rate varies by level of cover, and by gender.

Chart B.7

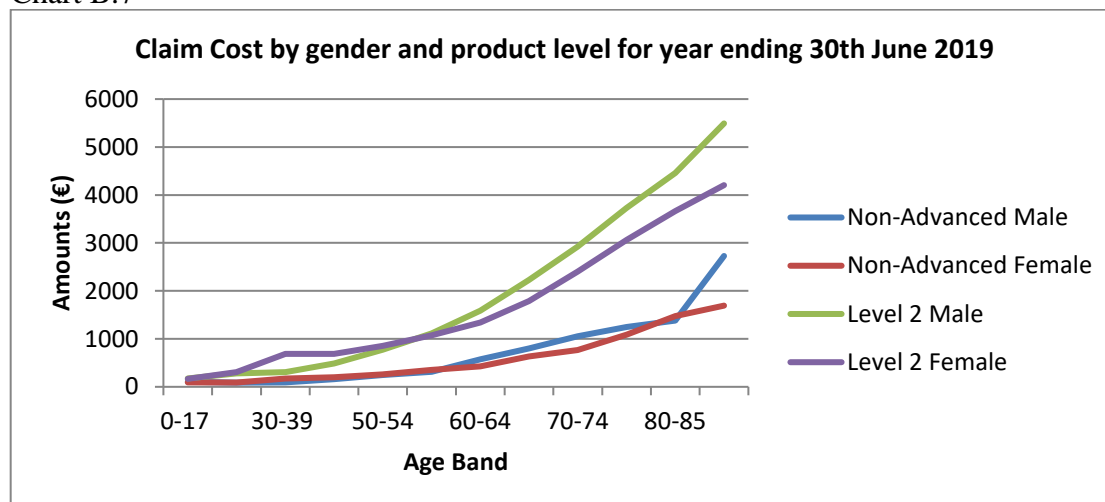
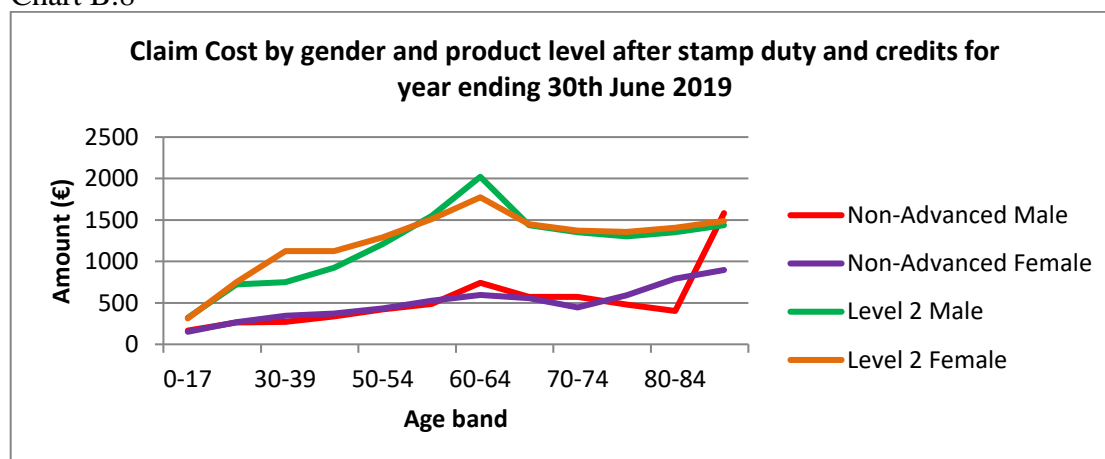


Chart B.7 shows that claim costs for men with Level 2 type products are consistently higher than for men with Non-advanced products with the percentage varying from 162% to 355% higher depending on the age range. Claim costs for women with Level 2 type products are also consistently higher than for corresponding Non-advanced products with the percentage varying from 179% to 406% higher depending on age range. Average male costs are higher than female costs for children and ages over age 55 for Level 2 contracts.

Impact of 2018 Credits on different market segments

Chart B.8 shows the impact of the April 2018 credits and stamp duties on the net claims by age for Non-advanced and Level 2 products and men and women for the market as a whole.

Chart B.8



For Level 2 products the net cost generally increases with age for both men and women up to age 64 and reduces thereafter. The same is true for Non-advanced products although the net cost increases sharply at older ages particularly for males. The fluctuations in claim costs for Non-advanced products is due the small number of lives insured (average of 536 males Non-advanced contracts over the year aged 80 or over).

## Section C - Financial Data

### Profitability of Registered Undertakings

The profitability of Registered Undertakings' private health insurance business in 2018 is set out in Table C.1. This financial data was provided by Registered Undertakings to the Authority pursuant to Section 7F of the Health Insurance Acts in order to assess whether overcompensation has occurred. It is noted that these figures relate solely to each Undertaking's Irish health insurance business and exclude any profits made from investments and any profits made if the business is reinsured to other entities in the same group. Undertakings generally have their policy administration and sales/marketing services provided by administration companies that may or may not be part of the same group. Any profits made by these administration companies are excluded.

These accounts below may differ from published accounts, which may have been finalised on a different date and may include business other than private health insurance business in the State.

Table C.1 Accounts for 12 months to end December 2018:

€m's	Elips Insurances Ltd (Laya Healthcare)	Great Lakes Reinsurance (UK) PLC (GloHealth)	Irish Life Health DAC	Vhi Insurance DAC	Market
	€m	€m	€m	€m	€m
Earned premiums before reinsurance and Risk Equalisation Credits	██████	██	██████	██████	2,532.4
Impact of risk equalisation	██████	██	██████	██████	0.4
Claims incurred before reinsurance	██████	██████	██████	██████	(2,080.6)
Claims ratio (Gross of risk equalisation)	██████	██████	██████	██████	82.2%
Claims ratio (Net of risk equalisation)	██████	██████	██████	██████	82.1%
Cost of reinsurance	██████	██	██████	██████	(94.2)
Expenses	██████	██	██████	██████	(282.6)
Underwriting Profit	██	██████	██	██████	75.4
Underwriting profit as % earned premiums	██████	██████	██████	██████	3.0%
Underwriting Profit Gross of Reinsurance	██████	██████	██	██████	169.6
Impact of Investments	██	██	██████	██████	0.8
Profit before tax	██████	██████	██	██████	76.2
Sales	██████	██	██████	██████	2,532.8
Return on Sales Gross of reinsurance excl. investment return	██████	██████	██████	██████	6.70%

GloHealth closed to new and renewing business from 22<sup>nd</sup> February 2017 and its business is now being written by Irish Life Health. The figures in Table C.1 account for the run off of GloHealth's remaining inforce business.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

It should be noted that the table above only shows the results of the registered undertakings and does not include the profits or losses of any intermediary that provides the Undertaking’s policy administration and sales/marketing or of any group company that reinsures part of the business.

Estimated Net Financial Impact of the Stamp duty and Tax Credits

The Authority is required to assess the net financial impact on each Registered Undertaking of the relevant financial provisions during the Relevant Periods. “Net Financial Impact” is not defined in the legislation, but “cumulative net financial impact” is defined as the difference between:

- The total amount of Risk Equalisation Credits recorded in accounts for that undertaking in respect of that period; and
- The total amount of the stamp duty recorded in accounts for that undertaking in respect of that period.

At the request of the Authority, insurers supplied estimates of the net financial impact of the Risk Equalisation Scheme in respect of 2019 and the actual net financial impact in respect of 2018. It should be noted that insurers’ estimates are based on their view of membership figures over the full 2019 calendar year and on their various methods of accounting for credits and stamp duty. The Authority’s assessment is that the net financial impact in the second half of 2018 and the first half of 2019 combined would be half of the amounts shown in the 2018 and 2019 columns in Table C.2.

Table C.2

€m's	Net Financial Impact of Risk Equalisation 2018	Estimated Net Financial Impact of Risk Equalisation in 2019	Estimated Net Financial Impact of Risk Equalisation 1/7/18 – 30/6/19
	€m	€m	€m
Elips	██████	██████	██████
Great Lakes	██████	██████	██████
Irish Life Health	██████	██████	██████
Vhi Healthcare	██████	██████	██████
Total	(3.8)	(14.6)	(9.2)

For 2018, insurers' accounts show a total negative net financial impact of ██████ in respect of risk equalisation. For 2019, insurers have, in aggregate, projected a negative net impact of risk equalisation on insurers' financial results of ██████. It should be noted that these are projections and, in the past, amounts included in insurers' audited accounts for a year have varied significantly from their earlier projections.

#### Financial Position of the Risk Equalisation Fund

In the Risk Equalisation Scheme, the Authority recommends the amounts of stamp duty after having regard to the aim of avoiding the Fund sustaining surpluses or deficits from year to year.

Table C.3: Projected Surplus in REF

€m	At 31/12/2018	At 30/06/2019	Projected Surplus/deficit at end of claim period
01/01/2013 – 28/02/2016 Contracts	46.33	46.03	46.00
01/03/2016 - 31/03/2017 Contracts	2.75	4.44	5.00
01/04/2017 - 31/03/2018 Contracts	(13.79)	(8.29)	(5.00)
01/04/2018 – 31/03/2019 Contracts	4.63	(14.57)	(9.00)
01/04/2019 – 31/03/2020 Contracts	-	0.06	(5.85)
Investment Income Less expenses	(0.96)	(1.11)	(1.15)
Total	<b>38.96</b>	<b>26.56</b>	<b>30.00</b>

The 2018 year end audited Balance Sheet for the REF showed a surplus of €38.96m. Management accounts at end June 2019 show a projected surplus of €26.56m.

In view of the accounting position of the Fund at 30 June 2019, the Authority is of the view that there is likely to be a surplus of circa €30m in the Fund when the credits and stamp duty on all contracts that commence in advance of 1 April 2020 are fully earned.

## Section D – Review of market developments

### Premium inflation in the market July 2018 – June 2019

In the 12 months to end June 2019, the average gross premium paid by consumers was €1,196, which represents a 1.4% decrease on the average premium paid in the 12 months to 30 June 2018 (€1,214). This is the average premium for all consumers and is before the deduction of tax relief. The breakdown by insurer is as follows:

Table D.1

€	Average Gross premium paid July 2018- June 2019	Average Gross premium paid July 2017- June 2018	% Change
Irish Life Health	██████	██████	██████
Laya Healthcare	██████	██████	██████
Vhi Healthcare	██████	██████	██████
Total Open Membership Insurers	€1,196	€1,214	(1.4%)

The above figures relate to average premiums. Premiums for specific products varied more widely but the effects of consumer activity such as switching products mitigated individual product increases. The CSO price index for health insurance<sup>2</sup> increased by 2.6% in the 12 months to the end of July 2019. These CSO figures do not include the effect of consumer actions.

### Product developments

The number of inpatient plans on sale in the market by the three open membership insurers has fallen in the last year with 300<sup>3</sup> inpatient private health insurance plans on the Product Register on 30 July 2019 (excluding restricted undertakings). This is a decrease of 39 plans since 27 July 2018. Of the 300 plans available at 30 July 2019, Irish Life Health provide 117 plans, Laya Healthcare 99 plans and Vhi Healthcare 84 plans.

Non-advanced products began being marketed from 31 March 2013. In the information returns for 1 July, 2019 there were 184,268 (198,082 at 1 July 2018) persons insured with products that were categorised as Non-advanced at that date. This amounts to 8.6% of the total number of insured persons at that date.

### Segmentation

The analysis in Section B also shows that, for both Non-advanced and Level 2 products, the net claims cost of older age groups is higher than for younger age groups. Insurers therefore remain incentivised to use various marketing and other strategies to segment the market. Product developments and special offers have reflected these incentives. Newer products offering better value than existing comparable products are marketed to newer and younger customers. Product developments have tended to concentrate on

<sup>2</sup> This index is a composite price index of health insurance premiums paid by consumers.

<sup>3</sup> This counts each of Irish Life Health's core plans as one plan, rather than counting each permutation of cover linked to a core plan as one plan.

providing cover attractive to younger healthier customers but less attractive to older, less healthy customers. All insurers have products with reduced orthopaedic benefits in private hospitals, with approximately half of the market insured under these plans. It should be noted that Laya Healthcare introduced reduced orthopaedic benefits in private hospitals to their plans over the past year, but the numbers involved are relatively insignificant (0.1% of all Level 2 plans and above) compared to the market average (61.1% of all Level 2 plans and above).

This segmentation, as well as a greater reluctance amongst older people to change product / insurer and the fact that older people are likely to have products with higher benefits, has resulted in a situation where older people, on average, pay significantly higher premiums than younger people.

Table D.2

	Irish Life Health €	Laya Healthcare €	Vhi Healthcare €	Weighted Market Average €
<b>Average Net Claim per insured person (June 2018 - June 2019)</b>				
18-60	█	█	█	1,043
Over 60's	█	█	█	1,534
<b>Average Gross of Tax Relief Premiums per insured person</b>				
18-60	█	█	█	1,454
Over 60's	█	█	█	1,815
<b>Average Difference per insured person</b>				
18-60	█	█	█	411
Over 60's	█	█	█	281

The average premium per insured person over age 60 correlates with the average net claim w █

█ It should be noted that the “Difference” rows in the above table do not represent profit for different age groups with different insurers. This is because *inter alia* the average premium, average claim and Risk Equalisation Credits do not relate to precisely the same time period, there is no allowance for expenses and there is no allowance for claims not included in returns to the Authority. However, the table does provide an indication of the relative level of profitability for different age groups and shows that, profitability is significantly higher (apart from █) for younger lives as older lives, notwithstanding higher Risk Equalisation Credits and higher premium being paid to insurers in respect of older lives.

There is continuing evidence that insurers, and in particular █, █

█ Table D.3 shows the average difference in net premiums for the most common level of cover with allowance for discounted children prices. Comparative percentages differences are shown in respect of June 2018 premiums in brackets.



Table D.3 – Average net premiums paid for Level 2 plans for June 2019

Insurer	Average Net Premium		
	Age <60	Age >=60	Difference
Irish Life Health	[REDACTED]	[REDACTED]	[REDACTED]
Laya Healthcare	[REDACTED]	[REDACTED]	[REDACTED]
Vhi Healthcare	[REDACTED]	[REDACTED]	[REDACTED]
Market	€1,255	€1,615	29% (31%)

It is interesting to note that the difference in average premiums between the over and under 60's for the market has fallen to 29% given that it had been increasing over the past number of years (31% in June 2018, 29% in June 2017, and 25% in June 2016).

[REDACTED]

Other recent significant market developments have been:

1. There has been a trend of increasing prices within the market reflecting insurers' views of increasing claims costs.
2. There appears to be some level of simplification of product offering occurring. The number of inpatient private health insurance plans on the Product Register has fall from 339 on 30 July 2018 to 300 on 30 July 2019.
3. The proposed introduction of Sláintecare, with the removal of private practice from public hospitals, is likely to be a disruptor to the private health insurance market. The "Report of the Independent Review Group established to examine Private Activity in Public Hospitals" notes potential impacts in terms of premiums and consumer offerings as a result of the introduction of Sláintecare. Given the likely timing required to remove private practice from public hospitals this is unlikely to have a material market impact in the short to medium term.

**Discussions with insurers**

**Irish Life Health**

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

**Laya Healthcare**

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted]

Vhi Healthcare

[Redacted]

[Redacted]

[Redacted]

[Redacted]

## Section E – Projections

### Retrospective review of projections in 2018 Report

#### Review of Membership Projections in the Authority’s 2018 Report

In its 2018 Report, the Authority projected that the change in the age profile of the market in the year ending June 2018 would continue at the same pace over the next 21 months. Table E.1 compares the projected open enrolment market with the actual market as at 1 July 2019 and the percentages of the total market for each age group.

Table E.1

Membership for the Market as of 1 July 2019			
Age Group	Actual	Projected	Net Difference
Aged 17 and under	498,145 (23.4%)	494,359 (23.4%)	3,786
Aged 18 to age 29	240,653 (11.3%)	236,230 (11.2%)	4,423
Aged 30 to age 39	287,694 (13.5%)	283,194 (13.4%)	4,500
Aged 40 to age 49	340,788 (16.0%)	337,766 (16.0%)	3,022
Aged 50 to age 54	150,746 (7.1%)	149,868 (7.1%)	878
Aged 55 to age 59	141,638 (6.6%)	140,917 (6.7%)	721
Aged 60 to age 64	128,676 (6.0%)	128,402 (6.1%)	274
Aged 65 to age 69	113,113 (5.3%)	113,195 (5.4%)	-82
Aged 70 to age 74	95,672 (4.5%)	96,603 (4.6%)	-931
Aged 75 to age 79	64,760 (3.0%)	64,461 (3.1%)	299
Aged 80 to age 84	41,176 (1.9%)	40,812 (1.9%)	364
Aged 85 and over	28,227 (1.3%)	27,559 (1.3%)	668
<b>Total</b>	<b>2,131,288 (100.0%)</b>	<b>2,113,366 (100.0%)</b>	<b>17,922</b>

The projected age profile of the insured population, rather than the total size of the insured population, is the key assumption in deriving the Risk Equalisation Credits and stamp duty and this is very much in line with the Authority’s projection.

#### Review of Claims Inflation Assumptions in the Authority’s 2018 Report

The 2018 report highlighted a wide variation in the claims cost inflation rates over the period 1 July 2017 to 1 July 2018 with particularly large falls experienced in the 0-17 age group. There were a number of factors which could have impacted on those results such as changes in the speed of claims settlement or the changing of the charging structure of public hospitals.

As a result of this analysis and conversations with insurers, the Authority last year decided that a reasonable method for projecting the average returned benefit per insured person for renewals from 1 April 2019 was to project an increase of 3% p.a. over the term of the projection. Ageing of the market would contribute a further 1% per annum to claims inflation over the period.

One year has elapsed since these projections. This subsection reviews how the actual average claim costs have changed over the year. The claim inflation rates are based on comparing average claim payments made from July 2018 – June 2019 with those made

in the July 2017 – June 2018 time period. As a result, any changes in the speed of payment would impact on the inflation rate.

The percentage change in the average claim costs per insured person for all levels of cover from the twelve month period ending in June 2018 to the twelve month period ending in June 2019 for each insurer and for the market is shown in Table E.2. Comparative figures for the twelve month period ending in June 2018 are shown in brackets.

Table E.2

Age Group	Irish Life Health	Laya Healthcare	Vhi Healthcare	Market
0-17	██████████	██████████	██████████	-3% (-18%)
18-29	██████████	██████████	██████████	-3% (-5%)
30-39	██████████	██████████	██████████	2% (-8%)
40-49	██████████	██████████	██████████	2% (-1%)
50-54	██████████	██████████	██████████	0% (1%)
55-59	██████████	██████████	██████████	1% (-1%)
60-64	██████████	██████████	██████████	1% (-1%)
65-69	██████████	██████████	██████████	3% (-4%)
70-74	██████████	██████████	██████████	1% (-4%)
75-79	██████████	██████████	██████████	1% (-2%)
80-85	██████████	██████████	██████████	1% (-9%)
85+	██████████	██████████	██████████	-4% (-7%)
All Ages	██████████	██████████	██████████	<b>2% (-3%)</b>

The ‘all ages’ percentages is impacted by the ageing of insurers’ portfolios which contributes about 1% to the ‘all ages’ inflation costs. There are significant variations in the percentage changes between different age groups and between insurers insurer, although these are far less pronounced than the comparative figures for the equivalent period last year. The level of claims deflation experienced by children, young adults and those over age 80 was significantly higher than for other ages.

### **Projections for 2020 Credits**

#### *Projected age profile of market in 2020*

The change in insured lives between 1 July 2018 and 1 July 2019 in the information returns data is set out in Table E.3.

Table E.3

Open Enrolment Market	01-Jul-18	01-Jul-19	Net Diff
Aged 17 and under	488,387	498,145	9,758
Aged 18 to age 29	227,672	240,653	12,981
Aged 30 to age 39	286,593	287,694	1,101
Aged 40 to age 49	332,670	340,788	8,118
Aged 50 to age 54	148,849	150,746	1,897
Aged 55 to age 59	138,912	141,638	2,726
Aged 60 to age 64	126,924	128,676	1,752
Aged 65 to age 69	110,793	113,113	2,320
Aged 70 to age 74	91,843	95,672	3,829
Aged 75 to age 79	60,979	64,760	3,781
Aged 80 to age 84	38,771	41,176	2,405
Aged 85 and over	25,970	28,227	2,257
<b>Total</b>	<b>2,078,363</b>	<b>2,131,288</b>	<b>52,925</b>

There was an increase in the number of insured lives of 52,925 over the period from 1 July 2018 to 1 July 2019.

The change in the market in the period 1 July 2018 to 1 July 2019 is assumed to continue during the projection time period until 1 April 2021. Thus the projections assume an increase in the number of insured lives of 52,925 per annum. Additionally, while the total market size is not a critical factor in balancing the financial impact of credits and stamp duty, the forecast age profile and product mix is important. The Authority has assumed that the changes in age profile and product mix over the twelve months to June 2019 in Table E.3 will continue at the same pace until 1 April 2021 for the market as a whole. The resulting projected numbers are set out in the following table:

Table E.4

Projected Market 01-April-2021 current trends			
	Non-advanced	Advanced	Total
Aged 17 and under	31,505	483,717	515,222
Aged 18 to age 29	25,601	237,769	263,370
Aged 30 to age 39	35,530	254,091	289,621
Aged 40 to age 49	37,671	317,323	354,995
Aged 50 to age 54	14,028	140,038	154,066
Aged 55 to age 59	10,910	135,498	146,409
Aged 60 to age 64	8,172	123,570	131,742
Aged 65 to age 69	5,667	111,506	117,173
Aged 70 to age 74	3,752	98,621	102,373
Aged 75 to age 79	1,711	69,666	71,377
Aged 80 to age 84	887	44,498	45,385
Aged 85 and over	516	31,661	32,177
<b>Total</b>	<b>175,949</b>	<b>2,047,958</b>	<b>2,223,907</b>

Table E.5 and E.6 below provides details of the number insured in Non-advanced and Advanced policies at 1 July 2018 and 1 July 2019. The approach for projecting the market is to assume that the forecast change in the number of Non-advanced and Advanced contracts in the year to 1 July 2019 will continue at the same pace until 1 April 2021.

Table E.5

	Non-advanced	Non-advanced	Net Diff	Forecast
	01-Jul-18	01-Jul-19		01-Apr-21
Aged 17 and under	32,165	31,925	-240	31,505
Aged 18 to age 29	27,617	26,884	-733	25,601
Aged 30 to age 39	41,200	39,138	-2,062	35,530
Aged 40 to age 49	40,468	39,451	-1,017	37,671
Aged 50 to age 54	15,411	14,908	-503	14,028
Aged 55 to age 59	11,826	11,493	-333	10,910
Aged 60 to age 64	8,708	8,513	-195	8,172
Aged 65 to age 69	5,821	5,765	-56	5,667
Aged 70 to age 74	3,141	3,363	222	3,752
Aged 75 to age 79	1,507	1,581	74	1,711
Aged 80 to age 84	703	770	67	887
Aged 85 and over	455	477	22	516
<b>Total</b>	<b>189,022</b>	<b>184,268</b>	<b>-4,754</b>	<b>175,949</b>

Table E.6

	Advanced	Advanced		Forecast
	01-Jul-17	01-Jul-18	Net Diff	01-Apr-20
Aged 17 and under	456,222	466,220	9,998	483,717
Aged 18 to age 29	200,055	213,769	13,714	237,769
Aged 30 to age 39	245,393	248,556	3,163	254,091
Aged 40 to age 49	292,202	301,337	9,135	317,323
Aged 50 to age 54	133,438	135,838	2,400	140,038
Aged 55 to age 59	127,086	130,145	3,059	135,498
Aged 60 to age 64	118,216	120,163	1,947	123,570
Aged 65 to age 69	104,972	107,348	2,376	111,506
Aged 70 to age 74	88,702	92,309	3,607	98,621
Aged 75 to age 79	59,472	63,179	3,707	69,666
Aged 80 to age 84	38,068	40,406	2,338	44,498
Aged 85 and over	25,515	27,750	2,235	31,661
<b>Total</b>	<b>1,889,341</b>	<b>1,947,020</b>	<b>57,679</b>	<b>2,047,958</b>

### Projected Returned Benefit for each insurer

The average claims costs for the twelve months to end June 2019 are used as the base figures for the projected average Returned Benefits.

For each age group, the average returned benefit per insured person for the year ending June 2019 was calculated for each product type, age grouping, gender and insurer and for the market. The calculated rates are included in Appendix A.

Insurers were asked for their views on how the average returned benefit for 2019 renewals might be projected to allow for future claims inflation and any changes in the timing pattern of claims settlement. Having regard to the responses received, the Authority considers that a reasonable method for projecting the average returned benefit per insured person for renewals from 1 April 2019 would be to project an increase of 4% p.a. over the term of the projection to the actual age specific market claims cost per insured person determined for the twelve months to end June 2018. This assumes no change in the daily rate charged for private patients in public hospitals. The age specific rate does not include the impact of ageing which is provided for in the population projections.

### Hospital Utilisation

Historically insurers receive a Hospital Utilisation Credit (HUC) for each night that an insured person spends in hospital. A reduced HUC payment in respect of each day case admission to a hospital was introduced in the Health Insurance (Amendment) Act 2015.

Information returns include separate details of the number of hospital inpatient days and day case admissions paid for by insurers in respect of their private patients admissions. The total number of nights/days in the last two years paid by the open membership undertakings is set out in Table E.7 overleaf.

Table E.7

000's	Overnight	Day case	Total
Second Half 2017	595	320	915
First Half 2018	572	306	878
Second Half 2018	564	308	872
First Half 2019	538	292	830

Table E.8 shows the split by insurer for the January to June 2019 time period.

Table E.8

000's	Overnight	Day case	Total
Irish Life Health	■	■	■
Laya Healthcare	■	■	■
Vhi Healthcare	■	■	■
<b>Total</b>	<b>538</b>	<b>292</b>	<b>830</b>

The average overnight stays and day case days per insured person in July 2018 – June 2019 time period were calculated for each age group/gender/level of cover/insurer. The Authority has projected that the average hospital utilisation per life insured for each age group will increase by 1% per annum over the projection period.



## Section F – Credits and stamp duty for policies commencing from 1 April 2020

### Criteria for recommending health credits and stamp duty

After projecting the market profile, claim rates and nights spent in hospital, it is necessary to consider to what extent the higher claim rates of older and less healthy people should be compensated for through the provision of Risk Equalisation Credits.

The Authority's role in recommending Risk Equalisation Credits is to:

- Recommend the amounts of Risk Equalisation Credits that the Authority considers should be paid having regard to the following criteria:
  1. Its evaluation and analysis of information returns;
  2. The Principal Objective of the Health Insurance Acts 1994 – 2018;
  3. The aim of avoiding overcompensation being made to an undertaking;
  4. The aim of maintaining the sustainability of the health insurance market; and
  5. The aim of having fair and open competition in the health insurance market.
- Recommend the amount of stamp duties that the Authority considers, after having regard to the aim of avoiding the REF sustaining surpluses or deficits from year to year, would need to be paid by undertakings in respect of persons insured by them in order to meet the cost to the Fund of the total of the Risk Equalisation Credits.

The Health Insurance (Amendment) Act 2018 provided that the Risk Equalisation Credits outlined in Table F.1 below applied from 1 April 2019:

Table F.1

Age Bands	Utilisation credits (overnight / day case) from 1 April 2019	Age / gender / level of cover credits from 1 April 2019			
		Non-advanced		Advanced	
		Men	Women	Men	Men
64 and under	€100 / €50	€0	€0	€0	€0
65-69	€100 / €50	€400	€275	€1,050	€700
70-74	€100 / €50	€650	€475	€1,775	€1,225
75-79	€100 / €50	€925	€725	€2,775	€1,900
80-84	€100 / €50	€1,050	€925	€3,300	€2,475
85 and above	€100 / €50	€1,350	€1,075	€4,600	€3,100

The stamp duties outlined in Table F.2 below applied from 1 April 2019:

Table F.2

Age Bands	Stamp duties from 1 April 2019	
	Non-advanced	Advanced
17 and under	€59	€148
18 and over	€177	€444

The projected net financial impact in last year’s report of the credits and stamp duty enacted for policies commencing in the 1 April 2019 to 31 March 2020 time period are as follows:

Table F.3

€m	Irish Life Health	Laya Healthcare	Vhi Healthcare	Total
Age Related Health Credits	████	████	████	613.5
Hospital Bed Utilisation Credit	████	████	████	166.7
Stamp duty	████	████	████	-752.2
Remove Estimated Surplus in the REF				-28.0
REF Balance				0
Net Financial Impact	████	████	████	<b>28.0</b>
Net Financial impact per insured life €	████	████	████	€16

The projections for individual insurers are sensitive to developments in each insurer’s age profile and market share, which can be influenced by product or pricing strategy or by developments in one particular insurer and it is not possible to predict many of these factors. As such, projections of the net financial impact on individual insurers are subject to considerable uncertainty and should be viewed as indicative only.

Authority Considerations to determine approach to setting recommendation on credits and stamp duty for policies commencing from 1 April 2020

As noted above, the Authority’s role in recommending Risk Equalisation Credits is to recommend the amounts of Risk Equalisation Credits that the Authority considers should be paid having regard to the following criteria:

1. The information returns provided by the individual insurers;
2. The Principal Objective of the Health Insurance Acts 1994 – 2018;
3. The aim of avoiding overcompensation being made to an undertaking;
4. The aim of maintaining the sustainability of the health insurance market;
5. The aim of having fair and open competition in the health insurance market; and
6. The aim of avoiding the REF sustaining surpluses or deficits from year to year.

As part of the approach to setting credits, the Authority considered:

- The existing methodology used for setting credits and stamp duty for policies commencing in the period from 1 April 2019 to 31 March 2020;
- The views of the individual insurers as summarised in Section D;
- The sensitivity of the projected net financial impacts for the different insurers of different calibrations to the Risk Equalisation Scheme; and
- The criteria noted above in points 1 – 5.

Conclusion on proposals from insurers for the Risk Equalisation Scheme

Each individual insurer has submitted a proposal to the Authority for consideration in setting the credits and stamp duty for policies commencing from 1 April 2020. The table below sets out a summary of the proposed adjustments to the RES of the different insurers. Further commentary on the views of the individual insurers is set out in Section D of this report.

Insurer	Proposal
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

The Authority has reviewed these proposals to understand the potential impact on the level of stamp duties and the projected net financial impact of each insurer. Due regard has been given to each stakeholder involved in setting the recommendation. Set out below are conclusions in respect of each proposal in light of the aims of the Authority when setting credits and stamp duties. A detailed analysis of the proposals is contained in Appendix C.

Insurer	Proposal	Comments
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

The Authority has concluded that a number of items raised by the insurers (as set out below) should be incorporated into the credits and stamp duty for policies commencing from 1 April 2020. The Authority has also concluded that consideration of the inclusion

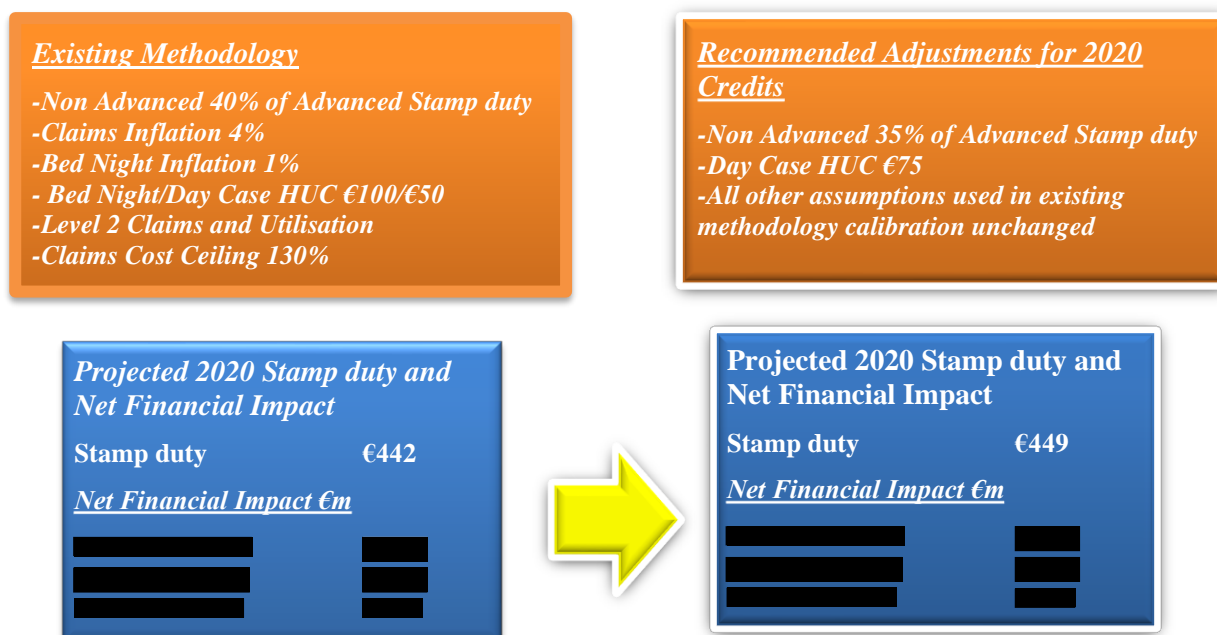
of the other remaining proposals should be given as part of the next Risk Equalisation Scheme design.

Recommended Methodology credits and stamp duty for policies commencing from 1 April 2020

For the purposes of the recommended RES, the Authority has concluded that:

- The inclusion of an allowance for increased HUC payments would provide a more targeted allocation of resources to health status. More specifically the HUC payment in respect of day cases be increased from €50 to €75; and
- The reduction in stamp duty for Non-advanced contracts would help with the long term sustainability of the market. More specifically the stamp duty for Non-advanced contracts be set at 35% of the rate applying for Advanced contracts.

Overall these changes are expected to have a negligible effect on the projected net financial impacts of the insurers but should help more effective targeting of resources and the long term sustainability of the market. The impact of the changes to the existing methodology is set out graphically below:



The calculations of Risk Equalisation Credits and stamp duty for policies commencing from 1 April 2020 are based as follows:

- A Hospital Utilisation Credit of €100 would be made for each night that an insured person spends in a hospital. A 1% increase per annum in hospital utilisation is assumed for all age groups.
- A Hospital Utilisation Credit of €75 would be made in respect of each day case admission. The corresponding credit enacted last year was €50.
- The age credits for Advanced cover contracts would continue to be based on the average claim costs for Level 2 products (products that, in the main, provide cover for semi-private accommodation in private hospitals, rather than private

accommodation). These credits would continue to apply from ages 65 and over. Claims inflation of 4% per annum is assumed over the term of the projection allowing for some pickup in public hospital claims.

- The age credits for Advanced cover products would continue to be calculated to be the amount necessary so that the net claims cost for no age group from age 65 and over exceeds 130% of the average net claims cost for Level 2 contracts.
- The age credits for Non-advanced contracts would continue to be based on the average claim costs for Non-advanced products. Adjusted claim costs for Non-advanced contracts aged 65 and over are calculated by applying the average ratio of Non-advanced claims costs to Level 2 claims costs for all ages 65 and over combined. The age credits for Non-advanced contracts would continue to be calculated to be the amount necessary so that the net claims cost for no age group from age 65 and over exceeds 130% of the adjusted average net claims cost for Non-advanced contracts.
- The stamp duty for Non-advanced contracts shall reflect the lower credits paid in respect of these contracts, and, accordingly, be set at 35% of the rate applying for Advanced contracts. The corresponding rate used in last year's stamp duty calculation was 40%.
- The Stamp duty levels would incorporate an anticipated surplus of €30m in the REF when all payments into/out of the REF have been made in respect of contracts that commence prior to 1 April 2020.

#### Recommended credits and stamp duty for policies commencing from 1 April 2020

Having regard to the statutory criteria, the Authority has concluded that the following Risk Equalisation Credits should be paid in respect of insured persons for health insurance policies that are renewed or entered into on or after 1 April 2020 but before 31 March 2021.

Table F.4

Age Bands	Utilisation credits (overnight / day case) from 1 April 2020	Age / gender / level of cover credits from 1 April 2020			
		Non-advanced		Advanced	
		Men	Women	Men	Women
64 and under	€100 / €75	€0	€0	€0	€0
65-69	€100 / €75	€350	€225	€1,150	€675
70-74	€100 / €75	€575	€425	€1,850	€1,300
75-79	€100 / €75	€850	€625	€2,650	€1,950
80-84	€100 / €75	€1,075	€775	€3,350	€2,525
85 and above	€100 / €75	€1,225	€925	€4,300	€3,025

The Authority considers that the following stamp duties would then be paid by the insurers of policies that are renewed or entered into on or after 1 April 2021.

Table F.5

Age Bands	Stamp duties from 1 April 2020 to 31 March 2021	
	Non-advanced	Advanced
17 and under	€52	€150
18 and over	€157	€449



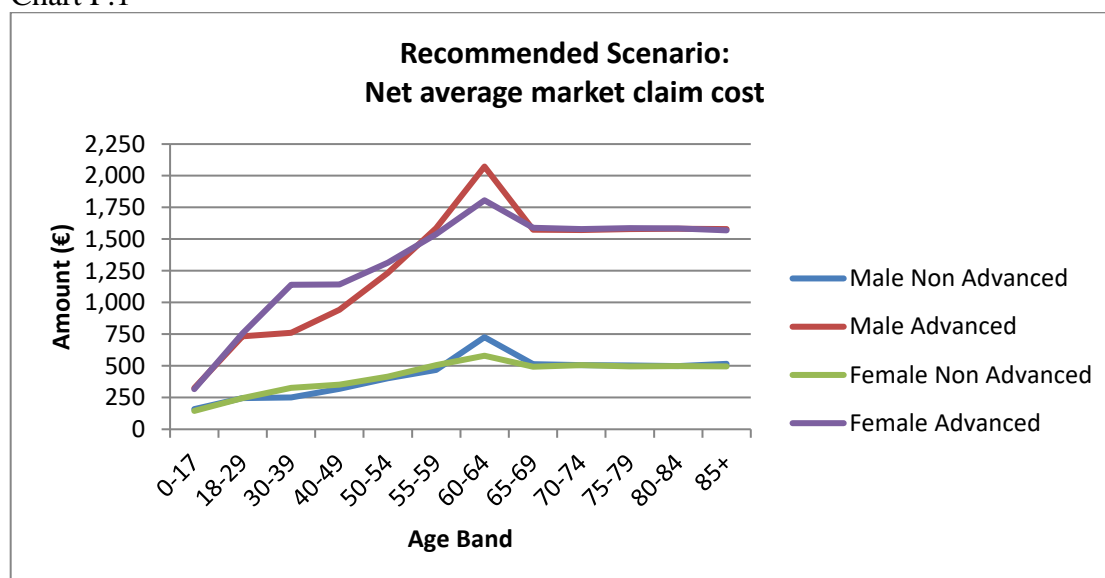
Table F.7

Reasons for Change of Advanced cover Adult stamp duty from 2019 enacted to 2020 recommended	Monetary effect on stamp duty
<b>2019 enacted stamp duty</b>	<b>€444</b>
Impact of most recent 12-month data (Membership, Returned Benefits, Hospital Utilisation etc.)	(€1)
Impact of change in RES surplus from €28m to €30m	(€1)
Impact of increase in Day case HUC from €50 to €75	€6
Impact of decrease of percentage Non Advanced Stamp duty of Advanced Stamp duty from 40% to 35%.	€1
<b>2020 Recommended Stamp duty</b>	<b>€449</b>

Projected impact of the recommendation on market net costs

The following chart shows estimates of the projected claim rate in the policy year commencing from April 2020 after adjusting for the net effect of the recommended utilisation credits, age credits and stamp duties.

Chart F.1



It can be seen that the claim rate after adjusting for the Risk Equalisation Credits and stamp duties (“the net claim cost”) is flat for men and women at age 65 and older. This is because the credits are set so that the net claim cost does not exceed 130% of the market average claims cost. The net claims cost at ages 60-64 is higher than for older ages as no age credits are proposed for this age group.

The percentage ceiling is set by reference to the market average claims cost after adjusting for the Hospital Utilisation Credits and the stamp duty needed to finance them.

Projected impact of the recommendation on net claim costs by insurer

The projected net claim costs for each insurer for policies commencing from 1 April 2020 to 31 March 2021 are illustrated in the following charts. Separate charts are shown for Non-advanced and Level 2 products and for men and women, showing the impact

of the system on contracts that mainly provide cover for public hospitals and contracts that provide substantial cover in semi-private rooms in private hospitals.

Chart F.2

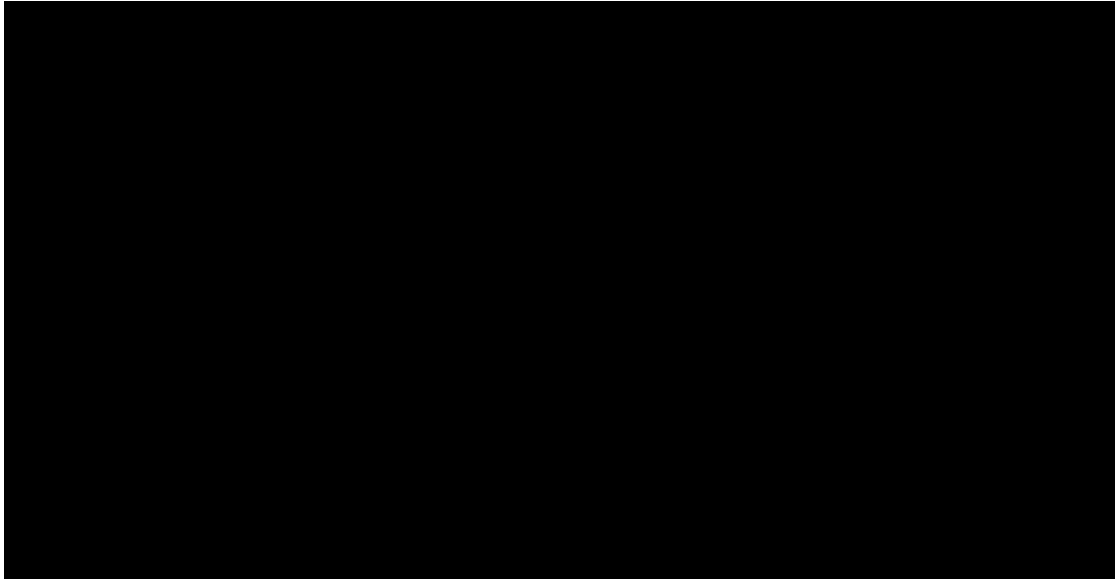


Chart F.3

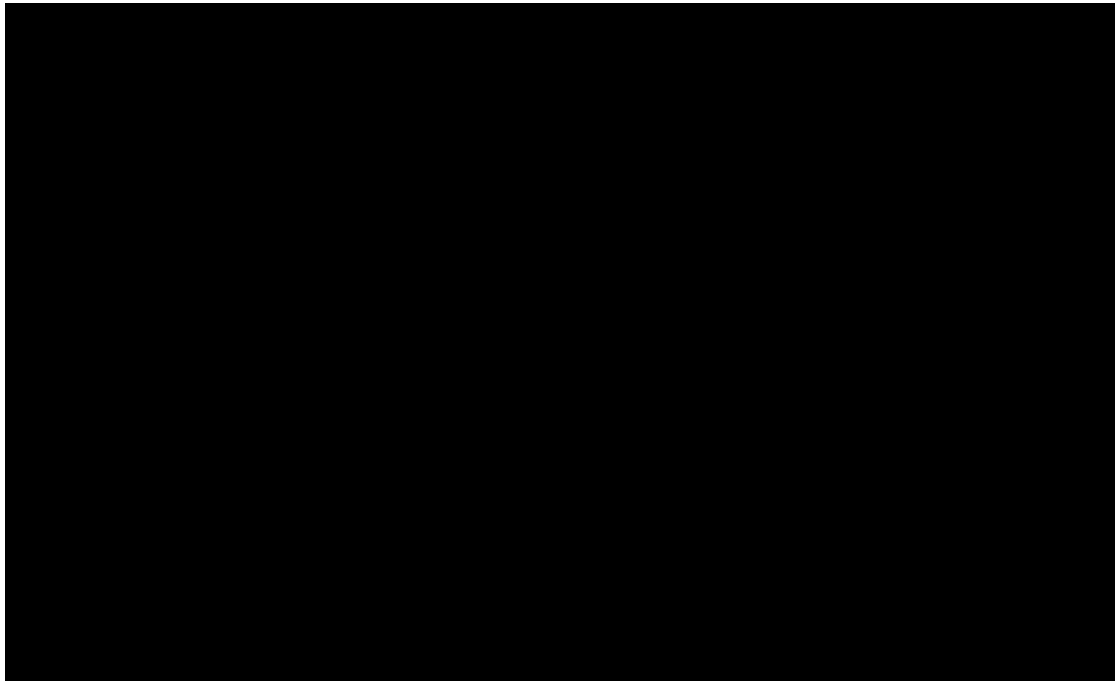




Chart F.4

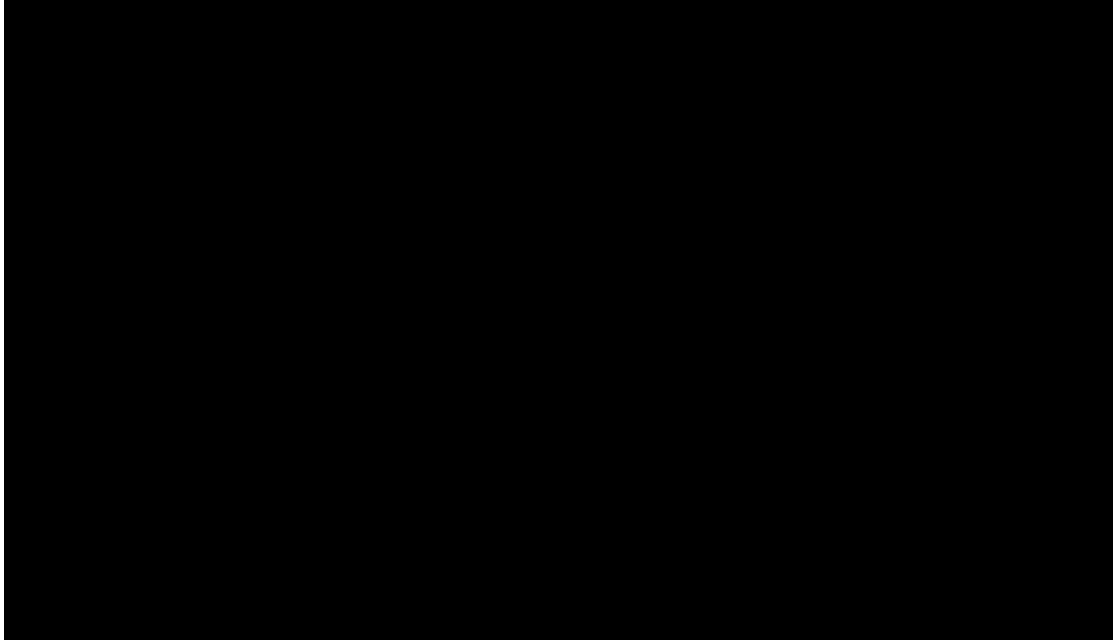
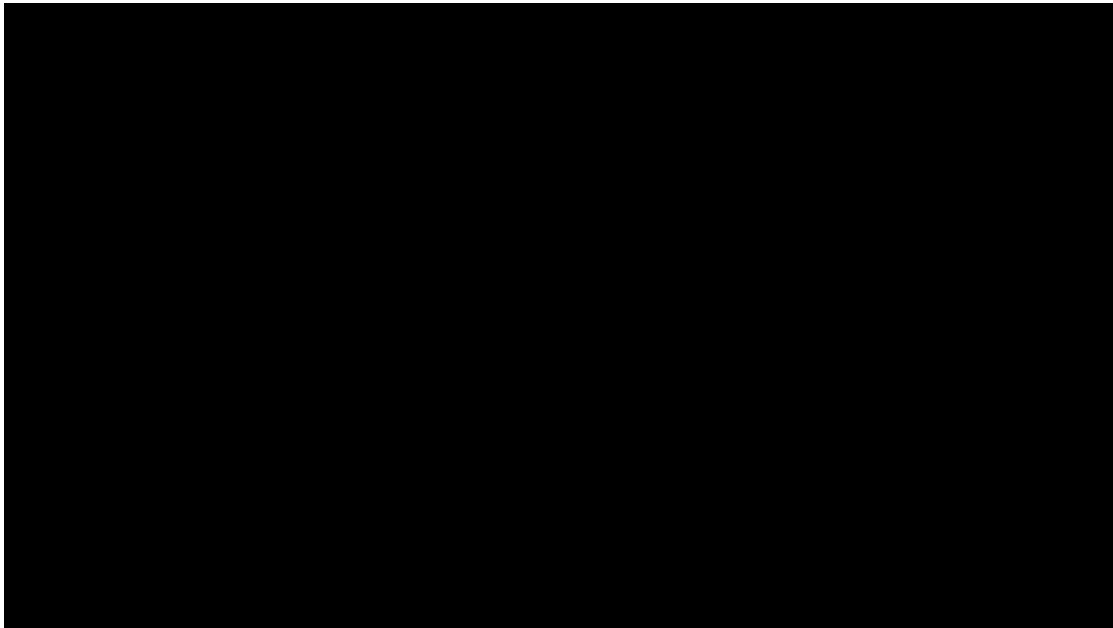


Chart F.5



The market net claims costs are relatively flat from age 65 as credits are set so that the net claims for older ages is 130% of the market average claims cost. Additionally, market net claims costs increase with age up to age 65 and are highest for ages 60-64 due to no age credits for that group.

[REDACTED]

[REDACTED]

Commentary on the recommended Risk Equalisation Credits and stamp duties

Recommendation

The previous charts show how average claims (net of risk equalisation) are projected to vary with age. An objective of risk equalisation is to support community rating by reducing or removing variations in net claims cost by age or health status.

If any insurer has much higher claim costs for any age group, this can impact negatively on the Authority's objectives as set out in the legislation. In particular:

- There will be a negative impact on the principal objective because insurers will have an incentive to avoid insuring age groups with higher net claims costs through risk selection or by charging higher premiums for that group (for example through risk segmentation).
- Competition can be negatively affected because insurers with disproportionate numbers of insured persons in age groups where their net claims costs are higher can be at a competitive disadvantage. It is also the case that competition can be distorted if an insurer that achieves lower claims costs through, for example, efficiencies must compensate another insurer on the basis of its higher claims costs;
- The sustainability of the market can be negatively impacted, for example, if it becomes less attractive to some insurers to recruit younger people than older people.
- It might make it more likely that a net beneficiary would make a profit in excess of a reasonable profit if Risk Equalisation Credits are such that there is an advantage to insuring older or less healthy people.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Accordingly, the Authority recommends the following:

- Age credits should again not apply for the age group 60-64. As the insured market ages in line with the total population, the difference in the average claims cost across the market and the average for ages 60-64 will continue to narrow each year as a result of ageing. This will result in the Age Credits, on a constant methodology, reducing in monetary amounts over time. The market share of

each insurer for the age group 60-64 does not vary significantly as shown in Table B.5 with the percentage varying from [REDACTED] to [REDACTED] for the three insurers. As a result, including Age Credits for ages 60-64 would not materially affect the projected net financial impact of any insurer. This is further evidenced in the analysis of insurer views on stamp duties and credits earlier in this section. [REDACTED]

[REDACTED]

- The Hospital Utilisation Credit for overnight stays remains at €100 per night, and the Hospital Utilisation Credit for day case admissions increased from €50 to €75 per admission respectively. This supports the Principal Objective of reducing the differential in the net claims cost of unhealthy and healthy people. It provides an incentive for insurers to eliminate unnecessary overnight stays in hospitals and increase the support for the cost of day cases;
- The average claims cost ceiling for older ages remains at 130% of the market average claims cost. This supports the Principal Objective by limiting the differential in the net claims costs between older and younger people; and
- The ratio of Non-advanced to Advanced stamp duty will reduce to 35% (from 40%) reflecting the relative cost of Non-advanced credits to Advanced contract credits.

#### Principal Objective of Health Insurance Act 1994 -2018

“The principal objective of this Act is to ensure that, in the interests of the common good and across the health insurance market, access to health insurance cover is available to consumers of health services with no differentiation made between them (whether effected by Risk Equalisation Credits 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 health risk status, age or sex of, or frequency of provision of health services to, any such consumers or any class of such consumers...”.

There are, in general, much higher claims costs associated with insuring older less healthy people compared with younger healthier lives. As a result, in a community rated market, without risk equalisation, where it is not possible to load premiums to reflect the expected costs for each individual insured person, insurers have a large incentive to target younger healthier people when selling health insurance. There is also an incentive for insurers to segment their insured populations so that younger healthier people and older less healthy people are sold different products, charging higher premiums on average to the older less healthy group. Despite the legislation governing community rating, insurers can seek to achieve this segmentation through target marketing and product development (aided by self-selection due to customer inertia). This impacts negatively on the achievement of the Principal Objective because older people pay more on average for health insurance.

The Risk Equalisation Credits reduce the incentive to risk select against older less healthy people. The incentive (arising from differences in claims costs) for insurers to differentiate between age groups would be fully addressed if the expected average claim costs for all age groups net of Risk Equalisation Credits were the same for each insurer.

The expected claim costs net of Risk Equalisation Credits of insuring an 85 year old would then be the same as for insuring a 25 year old and an insurer would have no incentive, based on claims rates, to differentiate between them.

However, as expected claim costs by age differ between insurers and across products, no level of Risk Equalisation Credits would achieve this objective in respect of all insurers and all products. In addition, as the credits and duties would be set across all insurers, it could be argued that the level of payments would result in partially compensating less efficient insurers or sharing the benefit of product features such as excesses, thereby undermining competition.

Notwithstanding the credits and stamp duty applying in 2019, there remains a significant level of segmentation, whereby older less healthy people are on average paying more for their health insurance. Table D.3 shows the current extent of this risk segmentation by age for Level 2 contracts.

#### Avoiding overcompensation

The Authority is currently in the process of carrying out assessment of whether overcompensation has occurred in the three year period 2016 – 2018 using actual insurer’s audited accounts. At a high level, the assessment is based on the Return on Sales, gross of reinsurance and excluding investment income. Further details of the assessment methodology are included in “Overcompensation Assessment Methodology” dated December 2018. If the assessment were to result in overcompensation, the Health Insurance Acts provide that the amount of overcompensation is repaid to the Fund.

In making its recommendation to the Minister for Health on the level of Risk Equalisation Credits, the Authority also has to have regard to the aim of avoiding overcompensation in future three year periods. The credits and stamp duties proposed in this report will have a financial impact on insurers in the years 2020, 2021 and 2022.

[REDACTED]

[REDACTED]





### Maintaining the sustainability of the market

The unfunded Irish voluntary health insurance system is, effectively, a “pay as you go” system, with the claims in any one year paid mainly out of the premiums received in that year. There is no fund built up over the life of an insured person to meet the higher level of claims expected when that person gets older.

Everybody is charged the same premium for a health insurance product (with some limited exceptions), so that a younger, healthier person pays a premium significantly in excess of their expected level of claims and an older, less healthy person pays a premium much lower than their expected level of claims. Instead of the excess premium paid by the younger person being used to build up a fund for later in life (as would be the case in a funded system), it is instead used to pay the claims arising with respect to older people. However, the voluntary nature of the market means that lower risk people can choose not to join the system or can choose to opt out at any time, and potentially re-join at an older age.

A community-rated market, therefore, requires a balance of younger and older, and healthy and less healthy members for it to operate effectively. In this way, premiums can be kept at affordable levels across the market, with the younger and healthier members helping to support the older and less healthy members. There is a danger in a voluntary community rated market that if premiums increase too much, younger and healthier members will be deterred from taking out health insurance (or encouraged to lapse their existing policies), which will in turn lead to further increases in the premiums needed to cover average claim costs.

The Hospital Utilisation Credit for overnight and day case stays are at low enough levels to retain the incentive for the insurers to work to minimise hospital stays where appropriate and to implement the most cost effective appropriate treatment pathway.

### Fair and open competition

In the view of the Authority, fair and open competition is achieved by having a level playing field between all insurers. The Authority notes that Vhi Healthcare became an insurance company regulated by the Central Bank in 2015. This has resulted in a level regulatory playing field for the three registered undertakings writing in-patient health insurance business.

A robust risk equalisation system is a prerequisite for fair and open competition. Without a sufficiently robust risk equalisation system, an insurer with a less favourable risk profile will be obliged to charge higher premiums than the market or incur significant losses, other things being equal. If its premiums are higher than the market, it is more likely to lose younger than older customers and its worsening risk profile may oblige it to increase premiums further, resulting in a cycle which ultimately could drive the insurer from the market. As discussed earlier in this section, one response of the insurer might be to segment its insured population so that younger healthier people and

older less healthy people are sold different products, charging higher premiums on average to the older less healthy group.

It is important to note that, because competition is distorted, an insurer with a poorer risk profile is likely to incur these difficulties regardless of its level of efficiency or the attractiveness of its products; the difficulties would result directly from its risk profile in the absence of a robust risk equalisation system.

The Authority's recommended Risk Equalisation Credits provide support for community rating and should provide a fair basis for competition between insurers, leading them to concentrate on seeking competitive advantage in terms of value for money, customer service, product design etc.

It is of course equally important that the level of risk equalisation is not so great that it confers advantages on insurers with an older and less healthy risk profile. As mentioned above, the recommended credits and stamp duties are not expected to lead to overcompensation to those insurers with, on average, older memberships.

## Appendix A – Further analysis of Information Returns

### Risk Profiles

The three insurers have different product mixes and conduct their business differently. This makes risk profile comparison complex. In order to compare risk profiles we looked at the following measures:

- Average Claim per insured person;
- Average Treatment Days per insured person;
- An index based on the Age/Sex Risk Profile of each insurer; complementary to this index, we also gauge the significance of variations in treatment days not captured by the Age/Sex Risk Profile Index by calculating a Hospital Utilisation Risk Profile Index.

In each case the Authority will note the disadvantages of the index being used. Also, where appropriate, when calculating indices the Authority will treat each insured child as 1/3<sup>rd</sup> of an insured adult to reflect the fact that they are not charged a full premium.

### Benefit per Insured Person

Comparing risk profiles by comparing the average returned benefit per insured person of each insurer is not completely reliable. It does not allow for the fact that insurers may conduct business in different ways and have different age profiles or that one insurer may sell more of a product that provides less benefits or provides a different level of cover (for example, by applying different excesses, exclusions or waiting periods). [REDACTED]

Counting each child as 1/3<sup>rd</sup> and each adult as 1, the average returned benefit per insured person for each insurer is outlined in Table A1.1 below.

Table A1.1

Average Returned Benefits per Insured Person (€)				
Insurer	July-Dec 2017	Jan-June 2018	July-Dec 2018	Jan-June 2019
Irish Life Health	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Laya Healthcare	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Vhi Healthcare	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Market</b>	<b>549</b>	<b>530</b>	<b>552</b>	<b>544</b>

The market returned benefit per insured person has reduced to €544 in the current period from €552 in the six months ending December 2018, a fall of 1.3%. [REDACTED]



The average returned benefit per insured person as a percentage of the market average for each insurer is set out in Table A1.2 below.

Table A1.2

Average Returned Benefits per Insured Person as a % of the Market Average				
Insurer	July-Dec 2017	Jan-June 2018	July-Dec 2018	Jan-June 2019
Irish Life Health	█	█	█	█
Laya Healthcare	█	█	█	█
Vhi Healthcare	█	█	█	█
<b>Market</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Average Returned Benefits per Insured Person for the 12 months to the end of June 2019 broken down by age group and level of cover are shown in the following tables. Figures for older ages, in particular for non-advanced contracts, are particularly prone to random fluctuation.

Table A1.3: Male Non-advanced

Age Group	Irish Life Health €	Laya Healthcare €	Vhi Healthcare €	Weighted Market Average €
0-17	█	█	█	108
18-29	█	█	█	87
30-39	█	█	█	95
40-49	█	█	█	163
50-54	█	█	█	247
55-59	█	█	█	314
60-64	█	█	█	571
65-69	█	█	█	803
70-74	█	█	█	1,057
75-79	█	█	█	1,248
80-84	█	█	█	1,379
85+	█	█	█	2,729
<b>All Ages</b>	█	█	█	<b>250</b>

Table A1.4: Male Level 1

Age Group	Irish Life Health €	Laya Healthcare €	Vhi Healthcare €	Weighted Market Average €
0-17	■	■	■	111
18-29	■	■	■	90
30-39	■	■	■	100
40-49	■	■	■	168
50-54	■	■	■	263
55-59	■	■	■	363
60-64	■	■	■	626
65-69	■	■	■	954
70-74	■	■	■	1,125
75-79	■	■	■	1,718
80-84	■	■	■	2,196
85+	■	■	■	3,242
<b>All Ages</b>	■	■	■	<b>329</b>

Table A1.5: Male Level 2

Age Group	Irish Life Health €	Laya Healthcare €	Vhi Healthcare €	Weighted Market Average €
0-17	■	■	■	174
18-29	■	■	■	282
30-39	■	■	■	309
40-49	■	■	■	486
50-54	■	■	■	772
55-59	■	■	■	1,114
60-64	■	■	■	1,589
65-69	■	■	■	2,231
70-74	■	■	■	2,921
75-79	■	■	■	3,730
80-84	■	■	■	4,461
85+	■	■	■	5,493
<b>All Ages</b>	■	■	■	<b>1,068</b>

Table A1.6: Male Level 2+

Age Group	Irish Life Health €	Laya Healthcare €	Vhi Healthcare €	Weighted Market Average €
0-17	■	■	■	183
18-29	■	■	■	274
30-39	■	■	■	309
40-49	■	■	■	492
50-54	■	■	■	793
55-59	■	■	■	1,132
60-64	■	■	■	1,658
65-69	■	■	■	2,333
70-74	■	■	■	3,053
75-79	■	■	■	4,011
80-84	■	■	■	4,919
85+	■	■	■	6,041
<b>All Ages</b>	■	■	■	<b>1,173</b>

Table A1 7: Female Non-advanced

Age Group	Irish Life Health €	Laya Healthcare €	Vhi Healthcare €	Weighted Market Average €
0-17	■	■	■	93
18-29	■	■	■	89
30-39	■	■	■	170
40-49	■	■	■	197
50-54	■	■	■	259
55-59	■	■	■	352
60-64	■	■	■	424
65-69	■	■	■	634
70-74	■	■	■	765
75-79	■	■	■	1,091
80-84	■	■	■	1,472
85+	■	■	■	1,693
<b>All Ages</b>	■	■	■	<b>253</b>

Table A1.8: Female Level 1

Age Group	Irish Life Health €	Laya Healthcare €	Vhi Healthcare €	Weighted Market Average €
0-17	■	■	■	93
18-29	■	■	■	95
30-39	■	■	■	183
40-49	■	■	■	208
50-54	■	■	■	276
55-59	■	■	■	372
60-64	■	■	■	456
65-69	■	■	■	704
70-74	■	■	■	1,030
75-79	■	■	■	1,307
80-84	■	■	■	1,786
85+	■	■	■	2,493
<b>All Ages</b>	■	■	■	<b>321</b>

Table A1.9: Female Level 2

Age Group	Irish Life Health €	Laya Healthcare €	Vhi Healthcare €	Weighted Market Average €
0-17	■	■	■	166
18-29	■	■	■	308
30-39	■	■	■	689
40-49	■	■	■	687
50-54	■	■	■	853
55-59	■	■	■	1,074
60-64	■	■	■	1,341
65-69	■	■	■	1,789
70-74	■	■	■	2,400
75-79	■	■	■	3,063
80-84	■	■	■	3,667
85+	■	■	■	4,205
<b>All Ages</b>	■	■	■	<b>1,089</b>

Table A1.10: Female Level 2+

Age Group	Irish Life Health €	Laya Healthcare €	Vhi Healthcare €	Weighted Market Average €
0-17	█	█	█	173
18-29	█	█	█	311
30-39	█	█	█	696
40-49	█	█	█	696
50-54	█	█	█	892
55-59	█	█	█	1,121
60-64	█	█	█	1,410
65-69	█	█	█	1,895
70-74	█	█	█	2,574
75-79	█	█	█	3,370
80-84	█	█	█	3,986
85+	█	█	█	4,687
<b>All Ages</b>	█	█	█	<b>1,195</b>

#### Average returned benefit per treatment day

The differences in the average returned benefit per member is partly due to differences in the average benefit per treatment day for each insurer and partly to differences in the average number of treatment days per insured person for each insurer. The average returned benefit per treatment day varies between insurers as set out in Tables A1.11 and A1.12 below.

Table A1.11

Average Returned Benefits per Treatment day (€)				
Insurer	July-Dec 2017	Jan-June 2018	July-Dec 2017	Jan-June 2018
Irish Life Health	█	█	█	█
Laya Healthcare	█	█	█	█
Vhi Healthcare	█	█	█	█
Market	1,037	1,054	1,118	1,173

Average returned benefits per treatment day have increased slightly across the market as a whole over the past 12 months. █

Table A1.12

Average Returned Benefits per Treatment day as a % of the Market Average				
Insurer	July-Dec 2017	Jan-June 2018	July-Dec 2018	Jan-June 2019
Irish Life Health	█	█	█	█
Laya Healthcare	█	█	█	█
Vhi Healthcare	█	█	█	█
Market	100%	100%	100%	100%

#### Average number of treatment days per insured person

Another approach for comparing risk profiles is to compare the average number of treatment days per Insured Person. However it does not separate out all differences in the way insurers conduct business or all differences in the level of cover.

The reliability of the average treatment days per member also relies on the assumption that the “value” (in terms of the underlying healthcare cost) of each treatment day is the same for each insurer. In practice, it is possible that this assumption may not be borne out. For example, where the cost of treatment days vary by age of the patient or the treatment and insurers’ memberships have different age or treatment profiles, a comparison of the number of treatment days per member would not fully capture the differences in the risk profiles of the insurers.

The average number of treatment days per member for each insurer is set out in Tables A1.13 and A1.14 below. Again, each insured child counts as 1/3 when counting the number of insured persons in order to allow for the fact that children are not charged a full premium.

Table A1.13

Average Treatment day per Insured Person				
Insurer	July-Dec 2017	Jan-June 2018	July-Dec 2018	Jan-June 2019
Irish Life Health	████	████	████	████
Laya Healthcare	████	████	████	████
Vhi Healthcare	████	████	████	████
Market	0.529	0.503	0.493	0.464

Table A1.14

Average Treatment day per Insured Person as a % of the Market Average				
Insurer	July-Dec 2017	Jan-June 2018	July-Dec 2018	Jan-June 2019
Irish Life Health	████	████	████	████
Laya Healthcare	████	████	████	████
Vhi Healthcare	████	████	████	████
Market	100%	100%	100%	100%



### Age/Sex Risk Profile Index

Another approach is to compare the risk profiles based on the age/sex profile of each insurer. We do this by applying a “risk weighting” to each member of the insured population. This weighting will be based on the age/sex of the insured person. We can then compare the average weighting for each insurer. We refer to this average weighting as the Age/Sex Risk Profile Index.

The difficulty with this approach lies in finding an appropriate weight for each age/sex combination. One weight that may be considered appropriate is the market average number of treatment days for each age/sex group. Thus each insurer is using the same weights.

The use of the number of treatment days as the basis for setting the risk weights is not without its disadvantages. As already mentioned, the number of treatment days will not provide a pure measure of risk, since it could include an element of efficiency and

other factors. Also, as noted earlier, it does not take account of differences in the value of treatment days.

Table A1.15

Age/Sex Risk Profile Index				
Insurer	July-Dec 2017	Jan-June 2018	July-Dec 2018	Jan-June 2019
Irish Life Health	█	█	█	█
Laya Healthcare	█	█	█	█
Vhi Healthcare	█	█	█	█
Market	100%	100%	100%	100%

Table A1.15

█  
█

### Hospital Utilisation Risk Profile Index

Of course the Age/Sex Risk Profile Index ignores differences in risk profiles due to other factors, i.e. it ignores whether insurers' risk profiles vary within age/sex bands. It therefore ignores differences in hospital utilisation within age/gender cells. In order to gauge the significance of variations of risk profile within age/sex bands we calculate an overall index of the hospital utilisation risk profile (ignoring the effect of differences in the age/sex distributions of the memberships). We call this index the Hospital Utilisation Risk Profile Index.

The Hospital Utilisation Risk Profile Index is calculated by estimating the average number of treatment days that each insurer would have if they all had the same standard age/sex profile and their own level of treatment days for each age/sex group. The standard age/sex profile that we use is the profile for the market as a whole.

As we aim to ignore the effect of the age and sex profile with this index, there is no need to adjust for the number of children. Table A1.16 shows the relative values of the Hospital Utilisation Risk Profile Index over time for Irish Life Health and Laya Healthcare relative to Vhi Healthcare's.

Table A1.16

Hospital Utilisation Risk Profile Index (Percentage of Vhi Healthcare's Index)				
Insurer	July-Dec 2017	Jan-June 2018	July-Dec 2018	Jan-June 2019
Irish Life Health	█	█	█	█
Laya Healthcare	█	█	█	█
Vhi Healthcare	100%	100%	100%	100%

█  
█  
█

As Chart A1.1 shows,

█  
█  
█

Chart A1.1

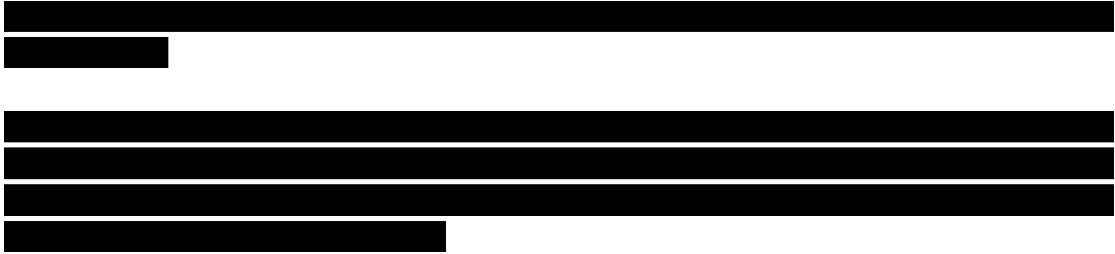
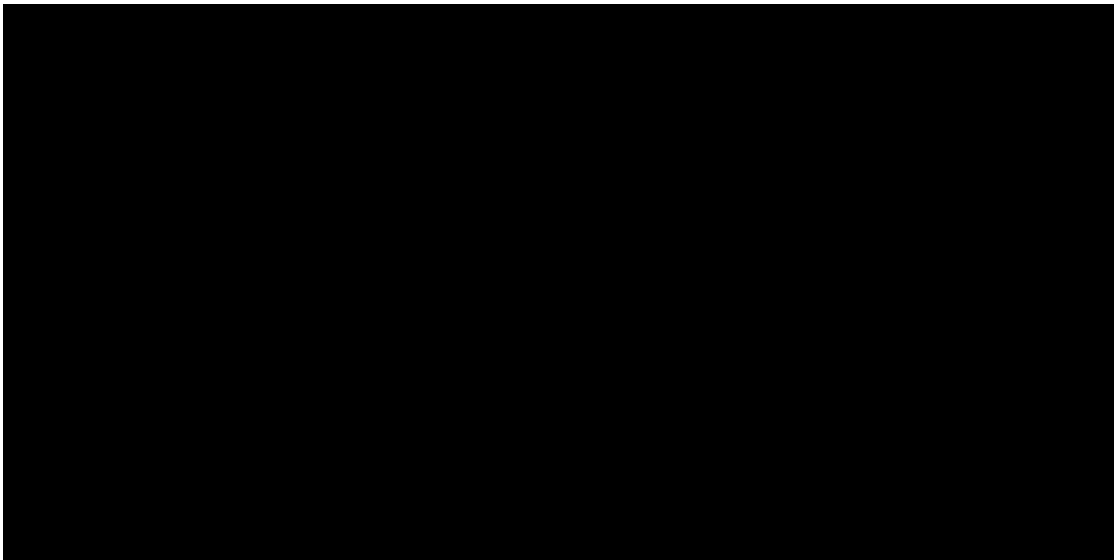


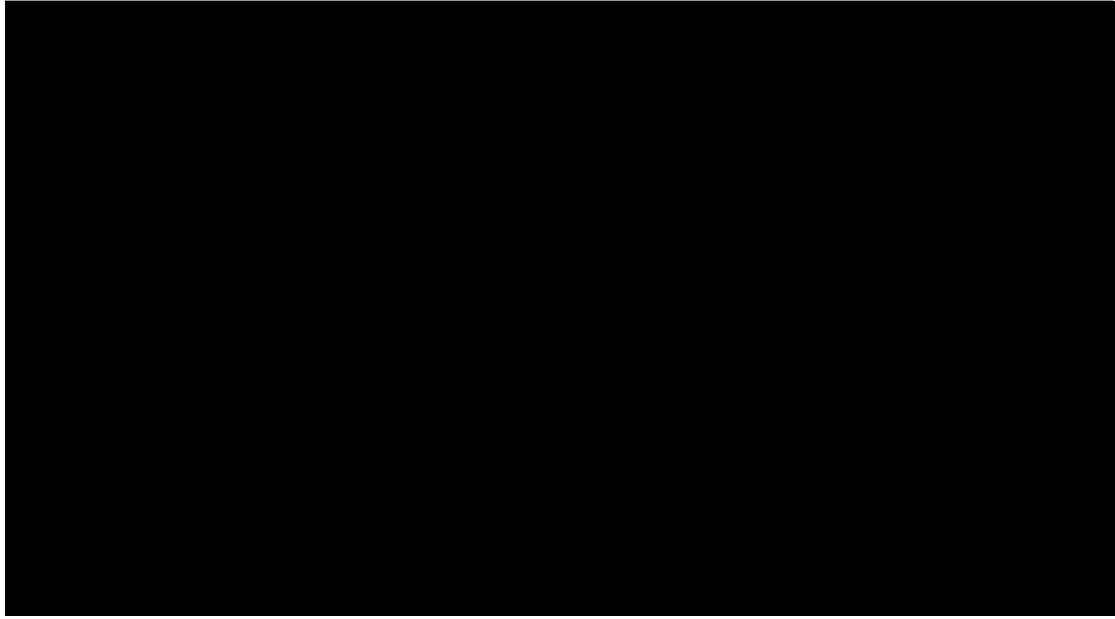
Chart A1.2



As Chart A1.3 shows,



Chart A1.3





## Appendix B – Credits and Stamp duty from 1 April 2020 for Recommended Methodology

Tables B2.1 to B2.4 below show the projected membership, returned benefits, hospital nights and day case admissions as at 1 April 2021 (the midpoint of the average policy incepted between 1 April 2020 and 31 March 2021). This data was used in the calculation of the stamp duty and Risk Equalisation Credits in the scenarios shown below.

Table B2.1

Projected Membership as at 01 April 2021				
Age Group	Non-advanced		Advanced	
	Male	Female	Male	Female
0-17	16,122	15,383	248,472	235,244
18-29	12,507	13,094	120,260	117,509
30-39	16,966	18,564	116,953	137,138
40-49	18,942	18,729	151,577	165,746
50-54	7,104	6,924	66,993	73,045
55-59	5,463	5,447	63,939	71,559
60-64	4,104	4,068	58,805	64,765
65-69	2,845	2,822	53,151	58,355
70-74	1,932	1,819	47,044	51,577
75-79	849	861	32,497	37,169
80-84	430	457	19,685	24,812
85+	163	352	11,844	19,817
<b>Total</b>	<b>87,428</b>	<b>88,521</b>	<b>991,221</b>	<b>1,056,737</b>

Table B2.2

Projected Average Returned Benefit at 01 April 2021 (€)				
Age Group	Non-advanced		Advanced	
	Male	Female	Male	Female
0-17	118	102	191	182
18-29	95	98	308	337
30-39	104	185	338	753
40-49	178	215	531	750
50-54	270	283	843	932
55-59	343	385	1,217	1,173
60-64	624	463	1,735	1,465
65-69	785	629	2,437	1,954
70-74	1,028	844	3,190	2,621
75-79	1,312	1,077	4,075	3,345
80-84	1,569	1,290	4,872	4,006
85+	1,932	1,479	6,000	4,593
<b>All Ages</b>	<b>272</b>	<b>276</b>	<b>1,235</b>	<b>1,245</b>

Table B2.3

Projected Total Bed Nights at 01 April 2021				
Age Group	Non-advanced		Advanced	
	Male	Female	Male	Female
0-17	1,454	1,179	31,591	29,931
18-29	623	754	19,691	24,622
30-39	918	2,290	19,328	66,140
40-49	2,164	2,153	33,759	55,988
50-54	1,163	949	23,945	27,875
55-59	1,234	1,164	31,247	36,225
60-64	1,684	1,094	44,203	44,884
65-69	1,788	1,409	59,739	54,391
70-74	1,563	996	72,383	71,943
75-79	784	833	75,464	77,595
80-84	570	713	66,395	73,122
85+	549	715	62,100	86,158
<b>Total</b>	<b>14,495</b>	<b>14,250</b>	<b>539,843</b>	<b>648,874</b>

Table B2.4

Projected Total Day Case Admissions at 01 April 2021				
Age Group	Non-advanced		Advanced	
	Male	Female	Male	Female
0-17	391	254	11,431	7,903
18-29	407	462	11,112	12,912
30-39	826	1,094	14,921	24,406
40-49	1,383	1,965	30,675	49,697
50-54	759	1,015	20,481	29,458
55-59	706	968	26,034	34,351
60-64	761	701	31,065	35,932
65-69	615	630	38,251	39,796
70-74	560	412	42,880	42,771
75-79	279	183	34,782	34,957
80-84	104	111	21,671	22,869
85+	28	49	11,560	14,564
<b>Total</b>	<b>6,817</b>	<b>7,843</b>	<b>294,862</b>	<b>349,616</b>

## Recommendation

The recommendation calculates credits by gender, product level and age such that for each age group over 65, the net cost should not be more than 130% of the average net cost across all groups. A Hospital Utilisation Credit of €100 is applied for overnight inpatient stays and €75 is applied for day stays. Claims inflation is assumed to be 4% per annum and bed night inflation is assumed to be 1% per annum.

The total Risk Equalisation Credits are financed by a stamp duty which varies by product level. The stamp duty for Non-advanced contracts is set at 35% of the stamp duty relating to Advanced contracts. The REF is projected to have a surplus of €30m when the contracts written prior to 1 April 2020 have fully earned credits and stamp duty.

The Age Risk Equalisation Premium Credits for Advanced cover contracts are based on the average claim costs for Level 2 products (products that, in the main, provide cover for semi-private accommodation in private hospitals, rather than private accommodation). The Age Risk Equalisation Premium Credits for Non-advanced cover contracts are based on the average claim costs for Non-advanced contracts. Adjusted claims costs for Non-advanced contracts aged over 65 are calculated by applying the average ratio of Non-advanced claims cost to Level 2 claims cost for all ages over age 65 combined. The average claims costs on based on claims arising in the July 2018 – June 2019 time period.

Table B2.5

Age	Stamp duty per person (€)		Credit per person (€)				Total Bed Utilisation Credits (€million)	Total Credits (€million)	Total Stamp duty (€million)
	Non Advd	Adv d	Non-advanced		Advanced				
			Men	Women	Men	Women			
0-17	52	150	0	0	0	0	7.9	0.0	74.1
18-29	157	449	0	0	0	0	6.4	0.0	110.9
30-39	157	449	0	0	0	0	12.0	0.0	119.8
40-49	157	449	0	0	0	0	15.7	0.0	148.6
50-54	157	449	0	0	0	0	9.3	0.0	65.2
55-59	157	449	0	0	0	0	11.6	0.0	62.6
60-64	157	449	0	0	0	0	14.3	0.0	56.8
65-69	157	449	350	225	1,150	675	17.7	102.1	51.0
70-74	157	449	575	425	1,850	1,300	21.2	156.0	44.9
75-79	157	449	850	625	2,650	1,950	20.7	159.9	31.6
80-84	157	449	1,075	775	3,350	2,525	17.4	129.4	20.1
85+	157	449	1,225	925	4,300	3,025	16.9	111.4	14.3
2018 Scheme Surplus									<b>30.0</b>
<b>Total</b>							<b>171.2</b>	<b>658.8</b>	<b>830.0</b>
<b>Projected Deficit</b>									<b>0.0</b>

Table B2.6

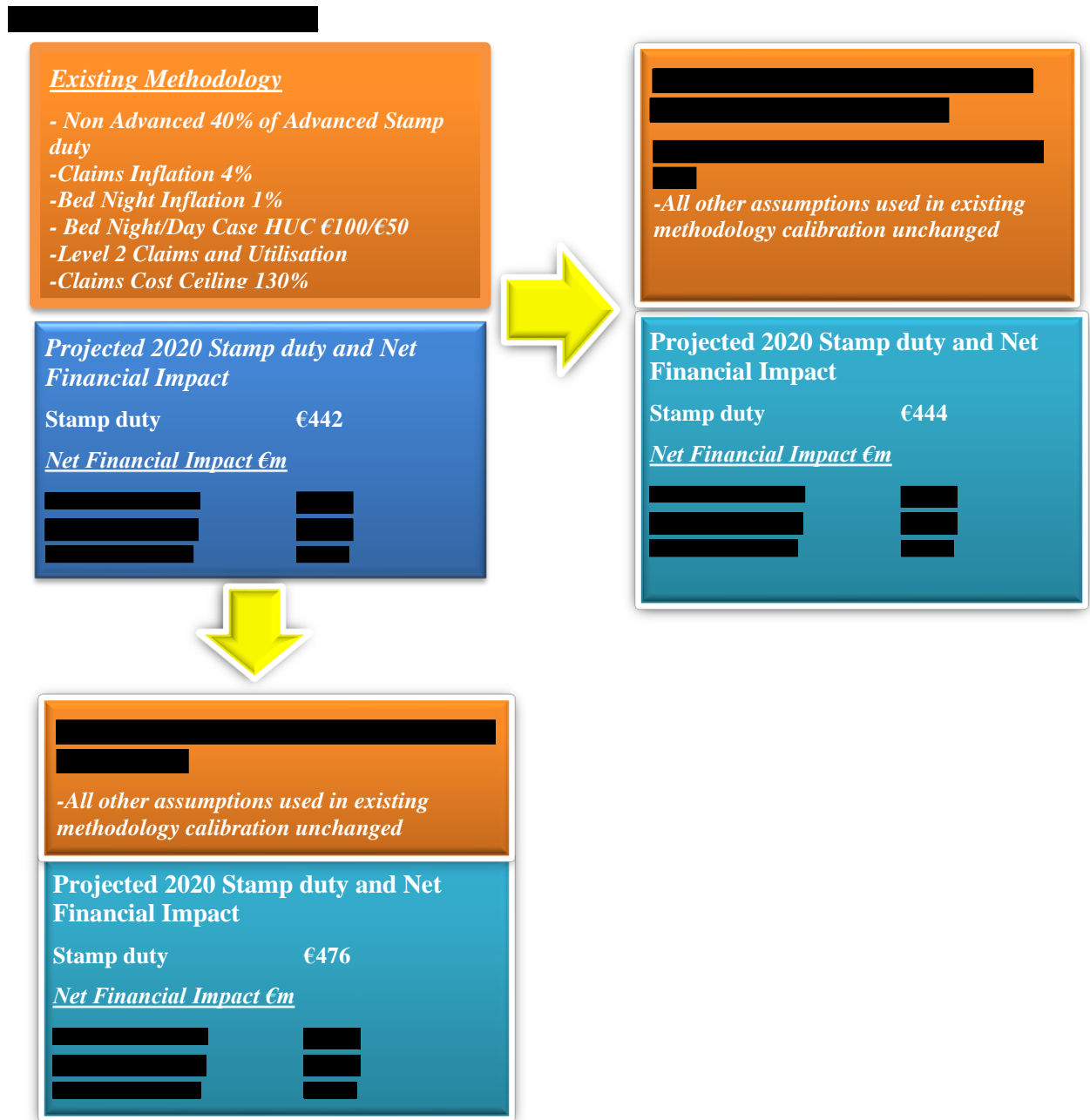
	Irish Life Health	Laya Healthcare	VHI Healthcare	Total
Age Related Health Credits	████	████	████	658.8
Hospital Bed Utilisation Credit	████	████	████	171.2
Stamp duty	████	████	████	-800.0
<b>Total</b>	████	████	████	<b>30.0</b>

The projected net financial impact of renewals from 1 April 2020 – 31 March 2021 is a net benefit of ██████████

[REDACTED] These figures are based on the projected membership in Section E of the Report which assumes that the changes in market membership by insurer in the year to end June 2019 would continue through to 1 April 2021. If this assumption was borne out, the memberships at that date would be [REDACTED]  
[REDACTED]

The projected net financial impact per insured life (counting children as 1/3<sup>rd</sup>) [REDACTED]  
[REDACTED]  
[REDACTED]

## Appendix C – Insurers proposals



**Proposal 1 – Reduce Net Claims Cost Ceiling to 125%**

Existing Methodology

- Non Advanced 40% of Advanced Stamp duty
- Claims Inflation 4%
- Bed Night Inflation 1%
- Bed Night/Day Case HUC €100/€50
- Level 2 Claims and Utilisation
- Claims Cost Ceiling 130%

Projected 2020 Stamp duty and Net Financial Impact

Stamp duty €442

Net Financial Impact €m

██████████	██████████
██████████	██████████
██████████	██████████



██████████  
 ██████████  
 ██████████

Projected 2020 Stamp duty and Net Financial Impact

Stamp duty €457

Net Financial Impact €m

Irish Life Health ██████████  
 Laya Healthcare ██████████  
 VHI Healthcare ██████████

**Proposal 2 – Increase HUC by 30%**

Existing Methodology

- Non Advanced 40% of Advanced Stamp duty
- Claims Inflation 4%
- Bed Night Inflation 1%
- Bed Night/Day Case HUC €100/€50
- Level 2 Claims and Utilisation
- Claims Cost Ceiling 130%

Projected 2020 Stamp duty and Net Financial Impact

Stamp duty €442

Net Financial Impact €m

██████████	██████████
██████████	██████████
██████████	██████████



██████████  
 ██████████  
 ██████████

Projected 2020 Stamp duty and Net Financial Impact

Stamp duty €456

Net Financial Impact €m

██████████	██████████
██████████	██████████
██████████	██████████

**Proposal 3 – Adjust Level 2 returned benefits used to calibrate stamp duty and age related health credits for additional utilisation of Level 3, 4, and 5 products.**



The green boxes above represent intermediary steps. The first green box is indicative of the impact on stamp duty where HUC payments are calibrated based on the utilisation rates (day and night) observed for Advanced products, while the second green box highlights the impact of also calibrating claim amounts for stamp duty purposes to be based on Advanced average returned benefits, which could be viewed as including a luxury element in the calculations. Thus the intermediary step allows for increased utilisation but not the additional costs of higher level cover not associated with Level 2 hospital usage.

[Redacted text]

Existing Methodology

- Non Advanced 40% of Advanced Stamp duty
- Claims Inflation 4%
- Bed Night Inflation 1%
- Bed Night/Day Case HUC €100/€50
- Level 2 Claims and Utilisation
- Claims Cost Ceiling 130%

Projected 2020 Stamp duty and Net Financial Impact

Stamp duty €442

Net Financial Impact €m

[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]



Combined Laya Healthcare Proposals and VHI Proposals 2 & 3

[Redacted text]

Projected 2020 Stamp duty and Net Financial Impact

Stamp duty €506

Net Financial Impact €m

[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]

[Redacted text]

Existing Methodology

- Non Advanced 40% of Advanced Stamp duty
- Claims Inflation 4%
- Bed Night Inflation 1%
- Bed Night/Day Case HUC €100/€50
- Level 2 Claims and Utilisation
- Claims Cost Ceiling 130%

Projected 2020 Stamp duty and Net Financial Impact

Stamp duty €442

Net Financial Impact €m

[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]



Combined Laya Healthcare Proposals, VHI Proposals 2 & 3, and Irish Life Health Proposal

[Redacted text]

Projected 2020 Implied Stamp duty and Net Financial Impact

Implied Stamp duty €457

Net Financial Impact €m

[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]



## Appendix D – Sensitivity Analysis on Credits and Stamp duty from 1 April 2020 for Recommended Methodology

Below is a summary of sensitivities performed on the recommended methodology for setting credits and stamp duty from 1 April 2020.

1. Reduce claims cost ceiling by 5% to 125%.
2. Increase claims cost ceiling by 5% to 135%
3. Increase Bed Night/Day Case payments to €200/€150.
4. Increase Bed Night/Day Case payments to €200/€200.
5. Reduce Claims inflation to 3%.
6. Increase Claims inflation to 5%.
7. Increase Bed night inflation to 2%.

Table D2.1

	Recommended	1	2	3	4	5	6	7
<b>Age Credit Applicable</b>	65+	65+	65+	65+	65+	65+	65+	65+
<b>Advanced Average Returned Benefits calculated using</b>	Level 2 Claims	Level 2 Claims	Level 2 Claims	Level 2 Claims	Level 2 Claims	Level 2 Claims	Level 2 Claims	Level 2 Claims
<b>Claims Cost Ceiling</b>	130%	125%	135%	130%	130%	130%	130%	130%
<b>Claims inflation per annum</b>	4%	4%	4%	4%	4%	3%	5%	4%
<b>Bed Night Inflation per annum</b>	1%	1%	1%	1%	1%	1%	1%	2%
<b>Advanced Average hospital utilisation calculated using</b>	Level 2	Level 2	Level 2	Level 2	Level 2	Level 2	Level 2	Level 2
<b>Bed Night payment</b>	€100	€100	€100	€200	€200	€100	€100	€100
<b>Day Case payment</b>	€75	€75	€75	€150	€200	€75	€75	€75
<b>Surplus</b>	€30m	€30m	€30m	€30m	€30m	€30m	€30m	€30m
<b>Stamp duty (Advanced)</b>	€449	€465	€434	€505	€519	€442	€459	€451
<b>Non Advanced Stamp duty %</b>	35%	35%	35%	35%	35%	35%	35%	35%

The stamp duties and relative change in projected net financial impacts (from projected net financial impact in the Recommended Methodology) for each insurer are shown graphically below. The arrows within each box indicate a positive or negative change in net financial impact.

An analysis of differences in projected stamp duty and net financial impact for each sensitivity is given in Chart D2.1.

Chart D2.1

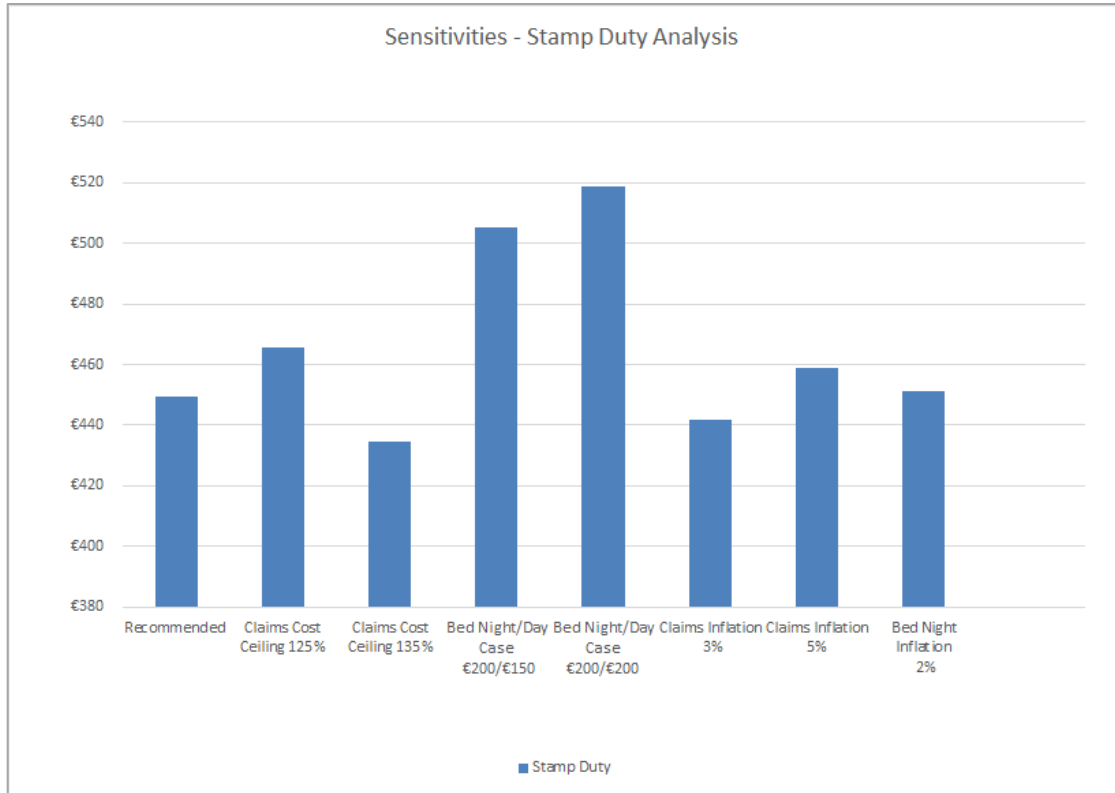
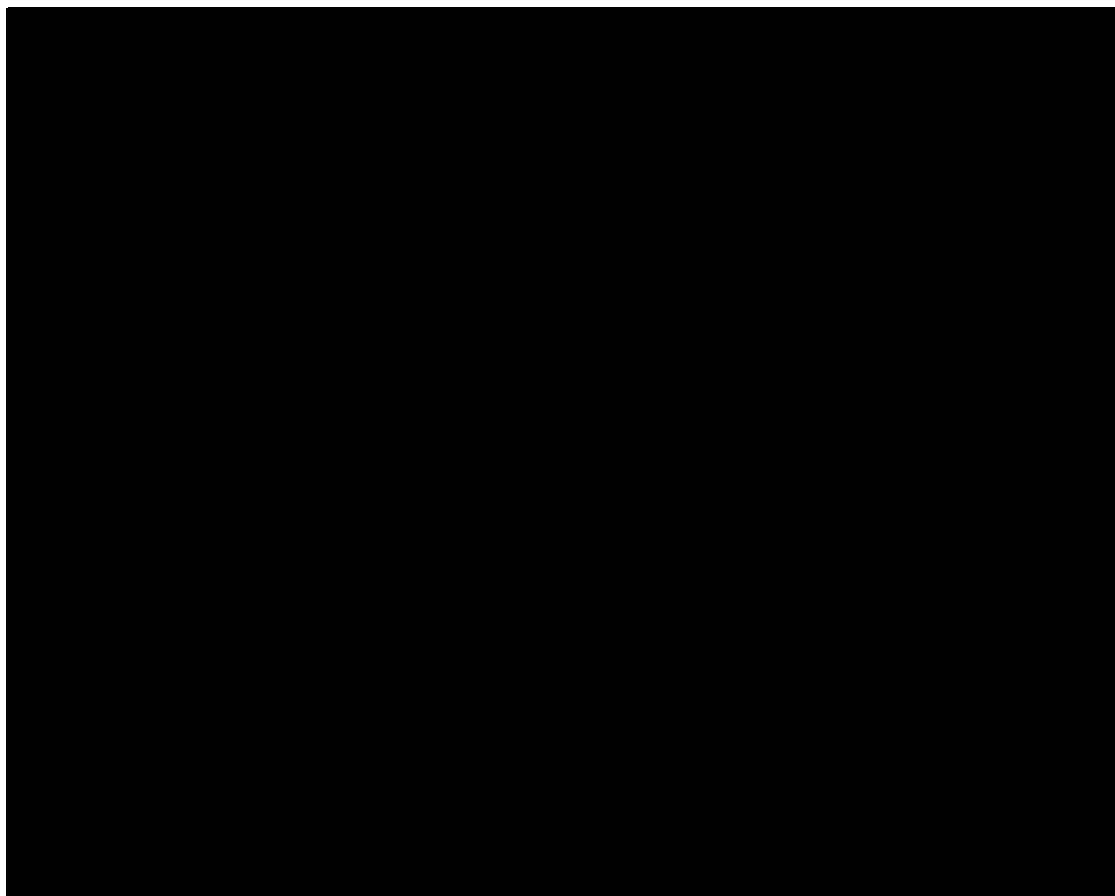


Chart D2.2



Tables D2.2 to D2.14 below set out the credits and projected net flows for each of the above sensitivities.

1. Reduce claims cost ceiling by 5% to 125%.

Table D2.2

Age	Stamp duty per person (€)		Credit per person (€)				Total Bed Utilisation Credits (€million)	Total Credits (€million)	Total Stamp duty (€million)
	Non Advd	Adv d	Non-advanced		Advanced				
			Men	Women	Men	Women			
0-17	54	155	0	0	0	0	7.9	0.0	76.8
18-29	163	465	0	0	0	0	6.4	0.0	114.8
30-39	163	465	0	0	0	0	12.0	0.0	124.1
40-49	163	465	0	0	0	0	15.7	0.0	153.8
50-54	163	465	0	0	0	0	9.3	0.0	67.5
55-59	163	465	0	0	0	0	11.6	0.0	64.9
60-64	163	465	0	0	0	0	14.3	0.0	58.9
65-69	163	465	375	250	1,225	775	17.7	112.1	52.8
70-74	163	465	600	450	1,925	1,375	21.2	163.5	46.5
75-79	163	465	875	650	2,725	2,025	20.7	165.1	32.7
80-84	163	465	1,100	800	3,425	2,600	17.4	132.8	20.9
85+	163	465	1,250	950	4,375	3,100	16.9	113.8	14.8
2018 Scheme Surplus									<b>30.0</b>
<b>Total</b>							<b>171.2</b>	<b>687.3</b>	<b>858.4</b>
<b>Projected Deficit</b>									<b>0.0</b>

Table D2.3

	Irish Life Health	Laya Healthcare	VHI Healthcare	Total
Age Related Health Credits	■	■	■	687.3
Hospital Bed Utilisation Credit	■	■	■	171.2
Stamp duty	■	■	■	-828.4
<b>Total</b>	■	■	■	<b>30.0</b>

2. Increase claims cost ceiling by 5% to 135%

Table D2.4

Age	Stamp duty per person (€)		Credit per person (€)				Total Bed Utilisation Credits (€million)	Total Credits (€million)	Total Stamp duty (€million)
	Non Advd	Adv d	Non-advanced		Advanced				
			Men	Women	Men	Women			
0-17	51	145	0	0	0	0	7.9	0.0	71.6
18-29	152	434	0	0	0	0	6.4	0.0	107.2
30-39	152	434	0	0	0	0	12.0	0.0	115.8
40-49	152	434	0	0	0	0	15.7	0.0	143.5
50-54	152	434	0	0	0	0	9.3	0.0	63.0
55-59	152	434	0	0	0	0	11.6	0.0	60.5
60-64	152	434	0	0	0	0	14.3	0.0	54.9
65-69	152	434	325	200	1,075	600	17.7	93.6	49.3
70-74	152	434	550	400	1,775	1,225	21.2	148.5	43.4
75-79	152	434	825	600	2,575	1,875	20.7	154.6	30.5
80-84	152	434	1,050	750	3,275	2,450	17.4	126.1	19.5
85+	152	434	1,200	900	4,225	2,950	16.9	109.0	13.8
2018 Scheme Surplus									<b>30.0</b>
<b>Total</b>							<b>171.2</b>	<b>631.8</b>	<b>803.0</b>
<b>Projected Deficit</b>									<b>0.0</b>

Table D2.5

	Irish Life Health	Laya Healthcare	VHI Healthcare	Total
Age Related Health Credits	■	■	■	631.8
Hospital Bed Utilisation Credit	■	■	■	171.2
Stamp duty	■	■	■	-773.0
<b>Total</b>	■	■	■	<b>30.0</b>

3. Increase Bed Night/Day Case payments to €200/€150.

Table D2.6

Age	Stamp duty per person (€)		Credit per person (€)				Total Bed Utilisation Credits (€million)	Total Credits (€million)	Total Stamp duty (€million)
	Non Advd	Adv d	Non-advanced		Advanced				
			Men	Women	Men	Women			
0-17	59	168	0	0	0	0	15.8	0.0	83.3
18-29	177	505	0	0	0	0	12.9	0.0	124.7
30-39	177	505	0	0	0	0	23.9	0.0	134.7
40-49	177	505	0	0	0	0	31.4	0.0	167.0
50-54	177	505	0	0	0	0	18.5	0.0	73.2
55-59	177	505	0	0	0	0	23.3	0.0	70.4
60-64	177	505	0	0	0	0	28.6	0.0	63.9
65-69	177	505	300	175	1,025	600	35.4	90.8	57.3
70-74	177	505	500	375	1,675	1,150	42.4	139.8	50.5
75-79	177	505	750	525	2,400	1,750	41.5	144.1	35.5
80-84	177	505	950	625	3,000	2,225	34.9	115.0	22.6
85+	177	505	925	725	3,775	2,625	33.8	97.1	16.1
2018 Scheme Surplus									30.0
<b>Total</b>							<b>342.4</b>	<b>586.8</b>	<b>929.2</b>
<b>Projected Deficit</b>									<b>0.0</b>

Table D2.7

	Irish Life Health	Laya Healthcare	VHI Healthcare	Total
Age Related Health Credits	■	■	■	586.8
Hospital Bed Utilisation Credit	■	■	■	342.4
Stamp duty	■	■	■	-899.2
<b>Total</b>	■	■	■	<b>30.0</b>

4. Increase Bed Night/Day Case payments to €200/€200.

Table D2.8

Age	Stamp duty per person (€)		Credit per person (€)				Total Bed Utilisation Credits (€million)	Total Credits (€million)	Total Stamp duty (€million)
	Non Advd	Adv d	Non-advanced		Advanced				
			Men	Women	Men	Women			
0-17	61	173	0	0	0	0	16.8	0.0	85.5
18-29	182	519	0	0	0	0	14.1	0.0	128.0
30-39	182	519	0	0	0	0	26.0	0.0	138.3
40-49	182	519	0	0	0	0	35.6	0.0	171.5
50-54	182	519	0	0	0	0	21.1	0.0	75.2
55-59	182	519	0	0	0	0	26.4	0.0	72.3
60-64	182	519	0	0	0	0	32.1	0.0	65.6
65-69	182	519	300	175	1,000	575	39.3	88.1	58.9
70-74	182	519	500	375	1,650	1,125	46.7	137.3	51.8
75-79	182	519	750	525	2,375	1,725	45.0	142.4	36.5
80-84	182	519	925	625	2,975	2,200	37.1	113.8	23.2
85+	182	519	900	725	3,750	2,600	35.1	96.3	16.5
2018 Scheme Surplus									30.0
<b>Total</b>							<b>375.3</b>	<b>577.9</b>	<b>953.2</b>
<b>Projected Deficit</b>									<b>0.0</b>

Table D2.9

	Irish Life Health	Laya Healthcare	VHI Healthcare	Total
Age Related Health Credits	■	■	■	577.9
Hospital Bed Utilisation Credit	■	■	■	375.3
Stamp duty	■	■	■	-923.2
<b>Total</b>	■	■	■	<b>30.0</b>

5. Reduce Claims inflation to 3%.

Table D2.10

Age	Stamp duty per person (€)		Credit per person (€)				Total Bed Utilisation Credits (€million)	Total Credits (€million)	Total Stamp duty (€million)
	Non Advd	Adv d	Non-advanced		Advanced				
			Men	Women	Men	Women			
0-17	52	147	0	0	0	0	7.9	0.0	72.8
18-29	155	442	0	0	0	0	6.4	0.0	109.0
30-39	155	442	0	0	0	0	12.0	0.0	117.7
40-49	155	442	0	0	0	0	15.7	0.0	146.0
50-54	155	442	0	0	0	0	9.3	0.0	64.0
55-59	155	442	0	0	0	0	11.6	0.0	61.5
60-64	155	442	0	0	0	0	14.3	0.0	55.8
65-69	155	442	350	200	1,125	675	17.7	100.7	50.1
70-74	155	442	575	425	1,800	1,275	21.2	152.3	44.1
75-79	155	442	825	600	2,600	1,900	20.7	156.3	31.0
80-84	155	442	1,050	750	3,275	2,475	17.4	126.7	19.8
85+	155	442	1,200	900	4,200	2,950	16.9	108.7	14.1
2018 Scheme Surplus									30.0
<b>Total</b>							<b>171.2</b>	<b>644.8</b>	<b>816.0</b>
<b>Projected Deficit</b>									<b>0.0</b>

Table D2.11

	Irish Life Health	Laya Healthcare	VHI Healthcare	Total
Age Related Health Credits	■	■	■	644.8
Hospital Bed Utilisation Credit	■	■	■	171.2
Stamp duty	■	■	■	-786.0
<b>Total</b>	■	■	■	<b>30.0</b>

## 6. Increase Claims inflation to 5%.

Table D2.12

Age	Stamp duty per person (€)		Credit per person (€)				Total Bed Utilisation Credits (€million)	Total Credits (€million)	Total Stamp duty (€million)
	Non Advd	Adv d	Non-advanced		Advanced				
			Men	Women	Men	Women			
0-17	54	153	0	0	0	0	7.9	0.0	75.7
18-29	161	459	0	0	0	0	6.4	0.0	113.2
30-39	161	459	0	0	0	0	12.0	0.0	122.3
40-49	161	459	0	0	0	0	15.7	0.0	151.7
50-54	161	459	0	0	0	0	9.3	0.0	66.5
55-59	161	459	0	0	0	0	11.6	0.0	63.9
60-64	161	459	0	0	0	0	14.3	0.0	58.0
65-69	161	459	375	225	1,175	700	17.7	105.0	52.1
70-74	161	459	600	425	1,900	1,325	21.2	159.7	45.9
75-79	161	459	875	625	2,725	2,000	20.7	164.2	32.3
80-84	161	459	1,100	800	3,425	2,600	17.4	132.8	20.6
85+	161	459	1,275	950	4,400	3,100	16.9	114.1	14.6
2018 Scheme Surplus									30.0
<b>Total</b>							<b>171.2</b>	<b>675.7</b>	<b>846.9</b>
<b>Projected Deficit</b>									<b>0.0</b>

Table D2.13

	Irish Life Health	Laya Healthcare	VHI Healthcare	Total
Age Related Health Credits	■	■	■	675.7
Hospital Bed Utilisation Credit	■	■	■	171.2
Stamp duty	■	■	■	-816.9
<b>Total</b>	■	■	■	<b>30.0</b>

7. Increase Bed night inflation to 2%.

Table D2.14

Age	Stamp duty per person (€)		Credit per person (€)				Total Bed Utilisation Credits (€million)	Total Credits (€million)	Total Stamp duty (€million)
	Non Advd	Adv d	Non-advanced		Advanced				
			Men	Women	Men	Women			
0-17	53	150	0	0	0	0	8.1	0.0	74.4
18-29	158	451	0	0	0	0	6.6	0.0	111.4
30-39	158	451	0	0	0	0	12.2	0.0	120.3
40-49	158	451	0	0	0	0	16.0	0.0	149.2
50-54	158	451	0	0	0	0	9.5	0.0	65.4
55-59	158	451	0	0	0	0	11.9	0.0	62.9
60-64	158	451	0	0	0	0	14.6	0.0	57.1
65-69	158	451	350	225	1,150	675	18.1	102.1	51.2
70-74	158	451	575	425	1,850	1,300	21.7	156.0	45.1
75-79	158	451	850	625	2,650	1,950	21.2	159.9	31.7
80-84	158	451	1,075	775	3,350	2,525	17.8	129.4	20.2
85+	158	451	1,225	900	4,300	3,000	17.3	110.9	14.4
2018 Scheme Surplus									803.3
<b>Total</b>							<b>175.0</b>	<b>658.3</b>	<b>1,606.6</b>
<b>Projected Deficit</b>									<b>773.3</b>

Table D2.15

	Irish Life Health	Laya Healthcare	VHI Healthcare	Total
Age Related Health Credits	■	■	■	658.3
Hospital Bed Utilisation Credit	■	■	■	175.0
Stamp duty	■	■	■	-803.3
<b>Total</b>	■	■	■	<b>30.0</b>