



An tÚdarás Árachas Sláinte
The Health Insurance Authority

The Health Insurance Authority

Annual Report and
Accounts 2020

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Chairperson's Statement

In accordance with Section 33(2) of the Health Insurance Act, 1994, I am pleased to present the Annual Report and Accounts of the Health Insurance Authority (“the Authority”) for the year ending 31 December 2020. The Authority fulfils a number of functions in relation to the private health insurance market in Ireland, whose regulatory system is based on the key principles of community rating, open enrolment, lifetime cover and minimum benefits.

The year was dominated by the various impacts of the Covid-19 pandemic. In terms of the Authority’s governance and operations, the Board, management and staff moved to online meetings and working from home with minimal disruption. The Board also established a Covid-19 Committee and, in December 2020, the Authority submitted a report to the Minister for Health on the potential impact of Covid-19 on the Irish private health insurance market. The report noted that the outlook for the health insurance market and consumers of private health insurance is uncertain and identified a number of actions to inform the Authority’s work across three themes: (i) enhanced data gathering from key stakeholders to support evidence-based analysis, (ii) monitoring market participation and consumer attitudes and (iii) consumer rights awareness.

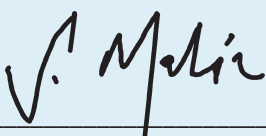
The impact of the Covid-19 pandemic on the market was clearly visible in 2020 with a steep reduction in claims, which was partially offset by insurer refunds. Demand for health insurance remains strong and in spite of the impact of Covid-19 on the economy and employment levels there was an increase in the numbers who have health insurance. Insurers continue to be pro-active in adjusting individual product benefits and prices and adding new services and features so that the complexity of the market for consumers remains high.

The Authority is responsible for the administration and maintenance of the Risk Equalisation Scheme, an essential support to community rating, and the 2020 accounts of the Risk Equalisation Fund set up under the Scheme are included in this Report. The Scheme must be notified to the European Commission and approved as a State Aid and this approval status had been due to expire in December 2020. However, due to the pandemic, it was agreed with the European Commission that the existing scheme would be extended until March 2022. Following a public consultation process in early 2021, the Authority is advising the Department of Health on the proposed refinements to the scheme, in particular the introduction of a high-cost claims pool, with a view to it being approved for implementation from 1 April 2022.

Covid-19 also caused a delay in the Authority’s planned research activities during 2020, including research on the options for health insurance reform in the context of SláinteCare and behavioural research with consumers. The consumer information function remained active throughout the year with regular updates made to the website on changes to health insurance plan details and frequently asked questions, including questions addressing the impact of Covid-19. The comparison tool enables consumers to compare the benefits and prices of all plans available on the market and is the most popular website landing page. Feedback indicates that it can be challenging for some users to interact with the tool, and the results of consumer research will help inform how it could be improved. The Authority also provides a Lo-Call helpline through which consumers can seek information on insurance plan comparisons and their rights under the Health Insurance Acts. In recent years the Authority has expanded its advertising across several media channels in order to increase awareness of the Authority’s role as a trusted source of information on health insurance and encourage consumers to compare prices and benefits of plans.

This is my final report as Chairperson of the Authority, having first been appointed as a Member in 2010. It has been a privilege to serve the Authority throughout this period and I acknowledge the constructive support of my Board colleagues in my role as Chairperson. 2020 also saw a change of Chief Executive Officer following the retirement of Don Gallagher, who made a significant contribution to the remit of the Authority over six years. I welcome the appointment of Laura Brien who has a wealth of expertise and experience to bring to the role.

Finally, I would like to thank the Minister and the officials in the Department of Health for their support and, on behalf of the Authority, to express my appreciation of the work done by the Authority’s management and staff and the commitment shown by them throughout 2020.



Sheelagh Malin
Chairperson

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Membership and Management of the Authority



2.1 Membership

The Members of the Authority are appointed by the Minister for Health (“the Minister”) for terms of up to five years. The Members of the Authority are:



Sheelagh Malin (Chairperson)

Appointed 6 May, 2010, Re-appointed 1 February, 2016

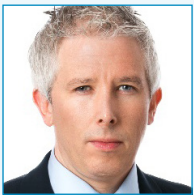
Sheelagh is a Fellow of the Society of Actuaries in Ireland. She has over 25 years management experience in the life assurance industry, including Managing Director, Finance Director, Compliance Officer, product development and marketing roles. She serves as an Independent Non-Executive Director on a number of insurance company boards.



Dr Fiona Kiernan

Appointed 1 February, 2016

Fiona is a Consultant in Anaesthesia and Intensive Care Medicine in Beaumont Hospital, and a Fellow of the College of Anaesthetists of Ireland. Along with her medical degree, she also holds a Masters in Health Economics, Policy and Management from the London School of Economics and Political Science, and is studying for a doctorate in Economics with the Department of Economics in University College Dublin. She has lectured on topics of resource allocation and health economics within the College of Anaesthetists, and has presented internationally on healthcare utilisation and access to healthcare. Her current areas of research involve the income-health relationship in Ireland, and health system performance measurement in Irish hospitals.

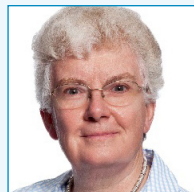


Damien McShane

Appointed 24 June 2019

Damien is an accomplished legal advisor and corporate executive with significant senior level experience across the financial sector. He is currently a partner in one of Ireland’s leading law firms, and was immediately prior to that a member of the board of directors of one of Ireland’s largest custodian banks (itself a principal operating subsidiary of the world’s largest custodian) and responsible for its custody functions amongst other activities. He previously served as a legal advisor to the Central Bank and Aviva, where he had significant experience with health insurance matters.

He holds degrees from the Queen’s University of Belfast, National University of Ireland (UCD), University of Dublin (Trinity College), King’s Inns, and University of Oxford (Jesus College), most recently obtaining an MBA (with distinction) from the latter. Damien is a lawyer admitted to practice in both Ireland (Solicitor) and New York (Attorney, not practicing), lectures at the Institute of Banking on legal and regulatory matters, and also acts as a charity trustee.



Caroline Barlow

Appointed 24 June 2019

Caroline is a Fellow of the Society of Actuaries in Ireland and has over 34 years’ experience in a wide variety of general insurance roles at both UK and European level. She holds an MA in Mathematics from the University of Cambridge.

As Head of Actuarial Function for Zurich Insurance plc until her retirement in 2018, Caroline was responsible for fulfilling the governance requirements pertaining to the actuarial function, including an annual actuarial opinion and actuarial report on the strength of the reserves. She also worked closely with the Risk and Finance functions to develop the Internal Capital Model and to assess the solvency capital required.

Caroline's professional career has given her a deep understanding of insurance business and the associated risks and uncertainties, and she has a sound knowledge of insurance finance. Her experience working for a large global insurance company has given her an appreciation of the need for strong governance, independent thought and constructive challenge where appropriate.



Marcella Flood
Appointed 5 July 2019

Marcella is a seasoned business leader, with a strong commercial acumen, working at Director/ C-Suite level for over a decade. She has extensive experience in defining and driving operations and technology strategies that deliver shareholder value. Having led significant change programs within global corporates as well as established and developed multiple start-ups, Marcella is an entrepreneurial change agent with a passion for people development and creating high performing teams.

Presently Marcella is the Regional COO at Allianz Partners. Previous roles include Head of Digital Transformation with Allianz Care, Director, OEM Operations EMEA at Microsoft. Marcella is a Chartered Director from the Institute of Directors UK, and holds an MBA from Smurfit College, University College Dublin.



Michael A O Sullivan
Appointed 24 June 2019

Michael is a former chair of the Board of the Mercy University Hospital and has also served on the board of the South/South West Hospital Group board.

He is a Civil Engineer, Chartered Management Accountant and holds an MBA from UCC.

He has significant executive director board experience in diverse roles including finance, business planning and as head of a regulated utility networks business. Prior to retirement Michael was the Group Commercial Director for Bord Gais Eireann where he had executive director responsibility for regulation, strategic planning and legal/corporate affairs. His executive responsibilities included leading the Market Opening project where he worked with the sector regulator and industry in defining rules for the set up and operation of a competitive gas market in Ireland.

He has considerable experience of interaction with government departments and regulators in Ireland, Northern Ireland and the European Union.

Michael is currently working in a number of non-executive board roles including the privately owned Firmus Energy in Northern Ireland where he also chairs the Audit and Risk Committee and he is also chair of the Ervia Defined Benefit Pension Scheme.



John Armstrong
Appointed 5 July 2019

John is a senior actuary and health economist. He completed his undergraduate studies in Trinity College Dublin and his postgraduate studies in Georgetown University, Washington DC. He has extensively researched on many health insurance reform topics and has active research and teaching links with both the Erasmus University in Rotterdam, the Netherlands and the Institute of Public Administration in Dublin.

He has over 25 years' experience working in the health insurance industry. Furthermore, he has advised over 20 countries on health financing reform topics in many diverse parts of the world, including the reform of their health insurance sector.

2.2 Management

The Management of the Authority are as follows:



Ms. Laura Brien
Chief Executive/Registrar

Laura Brien joined the HIA from the Commission for the Regulation of Utilities (CRU) where she was a Director holding various roles involving economic regulation, including Water, Compliance and Energy Markets. She was a member of the Bureau of the OECD Network of Economic Regulators. Prior to joining the CRU, she was senior economic advisor to ComReg, the Irish telecommunications regulator, from 2012 to 2014.

Earlier in her career she worked advising utilities, governments and regulators in the energy sector in the US, Europe, Asia and the Middle East.

She holds a Commerce degree and a Diploma in Corporate Governance from University College Dublin, Ireland and an M.Phil in Economics from Oxford University, UK.



Ms. Maeve Kearns
Head of Corporate Affairs/Secretary to the Authority

Maeve Kearns holds a Bachelor of Commerce degree from NUIG and a Diploma in Human Resource Management from UCD and is a Fellow of Chartered Accountants Ireland. She joined the Authority in 2018 from her role in the Housing Finance Agency. She was previously Head of Tax at StateStreet International Ireland and has worked in financial services audit in KPMG Ireland and New York.



Mr. Brendan Lynch
Head of Research/Technical Services

Brendan Lynch is an economist and also a qualified solicitor. He has a Masters degree in Economics and a Diploma in European Law. He has worked as an economic consultant, stockbroker economist and as an economic adviser to the Minister for Finance.



Ms. Joanne George
Head of Regulatory Services

Joanne George holds a Bachelor of Actuarial and Financial Studies and is a Fellow of the Society of Actuaries in Ireland. Prior to joining the Authority, Joanne worked for a multinational risk management, insurance brokerage and advisory company.



Ms. Corrinna Nolan
Head of Finance

Corrinna Nolan is a member of both Chartered Accountants Ireland and the Insurance Institute of Ireland. Prior to joining the Authority, Ms. Nolan worked within the Insurance Supervision Division of the Central Bank of Ireland, and held previous roles in financial services audit in Deloitte. Ms. Nolan also serves as a Trustee on the Board of a registered charity.

The offices of The Health Insurance Authority are located at:
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Tel: (01) 406 0080 | Email: info@hia.ie | Website: www.hia.ie

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**Public Interest
Statement**



The Health Insurance Authority is an independent body established in 2001 to regulate the business of private health insurance in Ireland. The Authority was established by Ministerial Order on 1 February, 2001 under the Health Insurance Act, 1994 and operates in accordance with the provisions of this Act and the Health Insurance (Amendment) Acts (collectively “the Health Insurance Acts”).¹

The Vision of the Authority

“To be recognised as an independent regulator of, and an authoritative source of information and advice on, the Irish Health Insurance market.”

The Mission of the Authority

The mission of the Authority is:

“We regulate the health insurance market under the Health Insurance Acts. In doing so we collect, analyse and share market information and related research, ensuring compliance with the Acts and enabling the health insurance market to work effectively for the benefit of consumers, providers, policy makers and other stakeholders.”

The Core Values of the Authority

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

- act always with independence, impartiality and integrity;
- work in a professional and effective way;
- be a trusted custodian of assets under its management;
- actively engage with consumers and other stakeholders and be receptive to new ideas and suggestions from all sources;
- be proactive and innovative in its approach;
- maintain transparency in all of its activities; and
- value its people.

The Authority acknowledges the importance of and is guided by its Vision, Mission and Values in maintaining high standards and quality provision of service.

The HIA – What We do

An overview of the Authority’s key functions are as follows:

- We monitor the health insurance market and to advise the Minister for Health on matters relating to health insurance;
- We monitor the how the health insurers comply with the Health Insurance Acts and, where necessary issue enforcement notices to enforce compliance with the Acts;
- To carry out certain functions in relation to health insurance stamp duty and
- risk equalisation credits and in relation to the risk equalisation scheme;
- We inform members of the public of their rights as consumers of health insurance and of health insurance services available to them; and
- We maintain “The Register of Health Benefits Undertakings” (“the Register”) and “The Register of Health Insurance Contracts”.

During 2018, the Authority developed a Strategic Plan for the three-year period 2019 to 2021 setting out the Mission, Core Values, Vision, Goals, Strategic Objectives, Risks and Mitigating Actions. The Authority aims to continue to strengthen its role and services in line with its statutory remit, through the application of forward planning and continuous improvement.

The Plan is available on the Authority’s website at <https://www.hia.ie/strategic-plan>

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

4

Covid-19 Response



4.1 Private Health Insurance Market

As a result of the Covid-19 pandemic, the Department of Health and HSE decided to negotiate for access to private hospitals, to support the health care system. The State takeover of private hospitals for three months, from April to June 2020, resulted in the suspension of most elective private hospital treatments during the period. Combined with the use of public hospitals for treatment of Covid-19 related illness, and staffing and operational changes, the impact of the Covid-19 pandemic on the market was clearly visible with a steep reduction in claims.

In the lead-up to the takeover of private hospital operations by the HSE, the Authority was heavily involved in discussions with the main private health insurers to ensure that they, at all times, complied with their obligations under the Health Insurance Acts and that they developed consistent, coherent and transparent approaches to address Covid-19 related issues as they impact on policyholders' reasonable expectations.

Refunds to policyholders were made by the insurers to compensate for the reduction in access to private health facilities. HIA analysis showed that the level of refunds broadly matched the reduction in insurance claims for the period.

Covid-19 has also had significant economic effects due to the closure of businesses during the lockdown, and unemployment has increased significantly. However, demand for health insurance remains strong, and numbers of consumers with private health insurance has actually increased.

4.2 Risk Equalisation Scheme

In light of the Covid-19 pandemic and its potential to impact the private health insurance market the Department of Health decided to extend the existing scheme until 31 March 2022. The European Commission confirmed in December 2020 that they had no objections to the prolongation of the Risk Equalisation Scheme to 31 March 2022.

4.3 Participation in Covid Response Oireachtas Committee

The Authority made a submission to the Oireachtas Special Committee on Covid-19 Response and used the opportunity to highlight the consumer concerns relating to the consequences of the takeover of all private hospital capacity in Ireland by the Health Service Executive. The Authority also supported a more reasonable alternative to the complete takeover of private hospitals in the event of further increases in Covid-19 cases by returning private hospitals to standard practice, and to support access by the HSE to beds in private hospitals, at a reasonable cost in the event of a second peak in the virus. This was the approach taken in January 2021.

4.4 Report to the Minister for Health

In December 2020, the Authority submitted a report to the Minister for Health on the potential impact of Covid-19 on the Irish private health insurance market. The report noted that the outlook for the health insurance market and consumers of private health insurance is uncertain and identified a number of actions to inform the Authority's work across three themes: (i) enhanced data gathering from key stakeholders to support evidence-based analysis, (ii) monitoring market participation and consumer attitudes and (iii) consumer rights awareness.

4.5 Covid-19 Committee

The Authority established a Committee to consider the impacts that the Covid-19 pandemic may have on the health insurance market and on the Risk Equalisation Fund and to provide guidance to the Authority to assist it in the performance of its functions.

4.6 Information to Consumers

A key role of the Authority is to inform members of the public of their rights as consumers. The uncertainty caused by the economic impact of Covid-19 as well as the takeover of private hospitals led to a need for clear consumer focussed information which the Authority provided through the consumer advice hotline, Covid-19 information for consumers on our website and an increased presence on local and national radio.

As a result of the cancellation of public events and gatherings, the Authority was unable to continue its in programme of planned events.

4.7 Staff Considerations

Since the onset of the Covid-19 pandemic, Authority staff have been primarily working from home. The Authority followed all Government and HSE guidance in relation to the management of Covid-19, including the implementation of significant protections, measures and contingencies at its offices in the event that staff were obliged to attend the office premises.

The professionalism and flexibility of the staff of the Authority in overcoming the challenges created by the change to working practices ensured that there was no disruption to the services provided to the public. As staff safety and wellbeing is paramount, the Authority will not be changing current working arrangements until government advice is updated and it is safe to have staff back in the office on a regular basis.

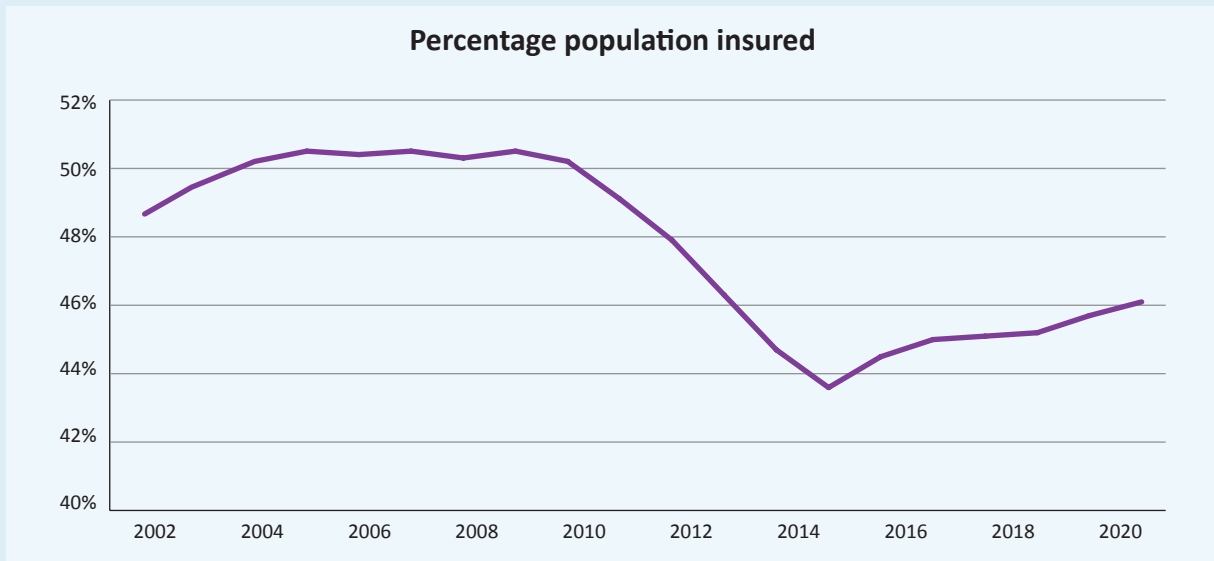
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The Health Insurance Market in Ireland



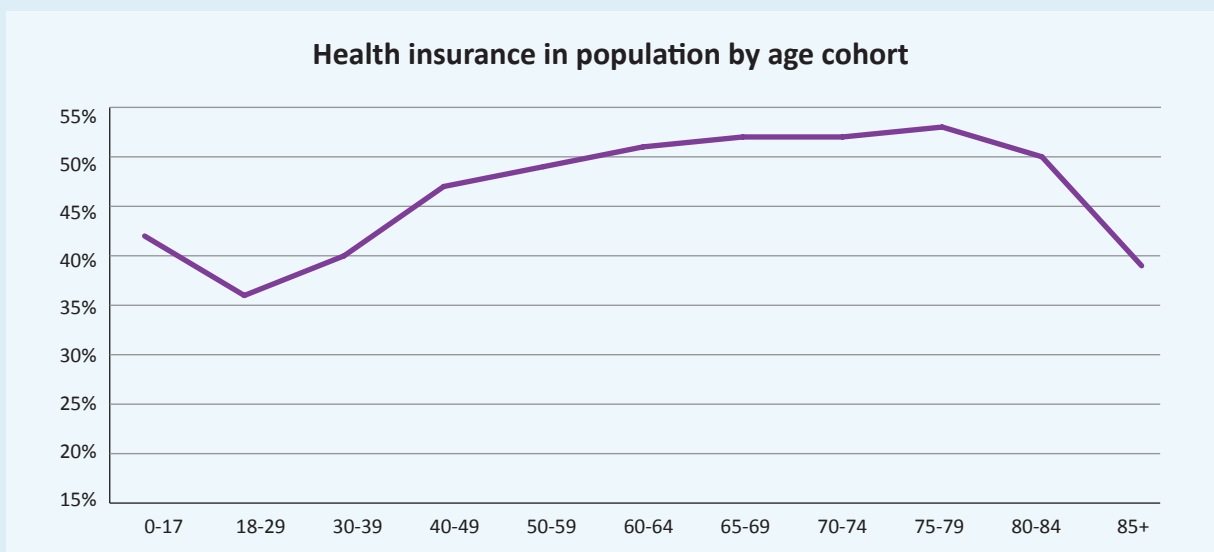
5.1 Size of the Market

The number insured at the end of 2020 in the health insurance market was 2.31m (including children), which represented 46% of the population. This was 1.8% higher than 12 months previously, despite the large economic impact from Covid-19 (See Appendix A, Table 1). Numbers insured have been rising since late 2014 following the deep recession in the 2009 to 2012 period. Numbers insured have now reached the previous peak of 2.3m at the end of 2008, before the 2008 to 2012 recession, which represented 51% of the 2008 population. The population has been increasing by approximately 1% per annum since early 2015. People from age 45 to 80 are most likely to have health insurance and slightly more women than men hold it.



The average age of the population is increasing and the percentage of the population in the oldest age cohorts is steadily rising. This leads to an increased demand for healthcare. The proportion of the population with health insurance varies significantly by age. The proportions in the oldest age groups are rising faster than the average. The percentage of the insured population aged over 60 has increased by 0.6% per annum since 2009 and was 22% at end 2020. These trends are expected to continue for the medium term.

The gradual ageing of the insured population tends to lead to higher claims per person insured, estimated at 2.9% in 2020, absent increases in the costs of healthcare provision. This arises because, on average, older people have more demand for healthcare.



At year-end 2020, there were three Open Membership Undertakings operating in the market (Vhi Healthcare, Laya Healthcare² and Irish Life Health). In December 2020, Vhi Healthcare's market share was 49%, having been 95% in the mid-1990s before the market was opened to competition. Laya Healthcare had a 27% market share and Irish Life Health had 20%. Restricted Membership Undertakings have a combined 4% market share (See Appendix A, Table 3).

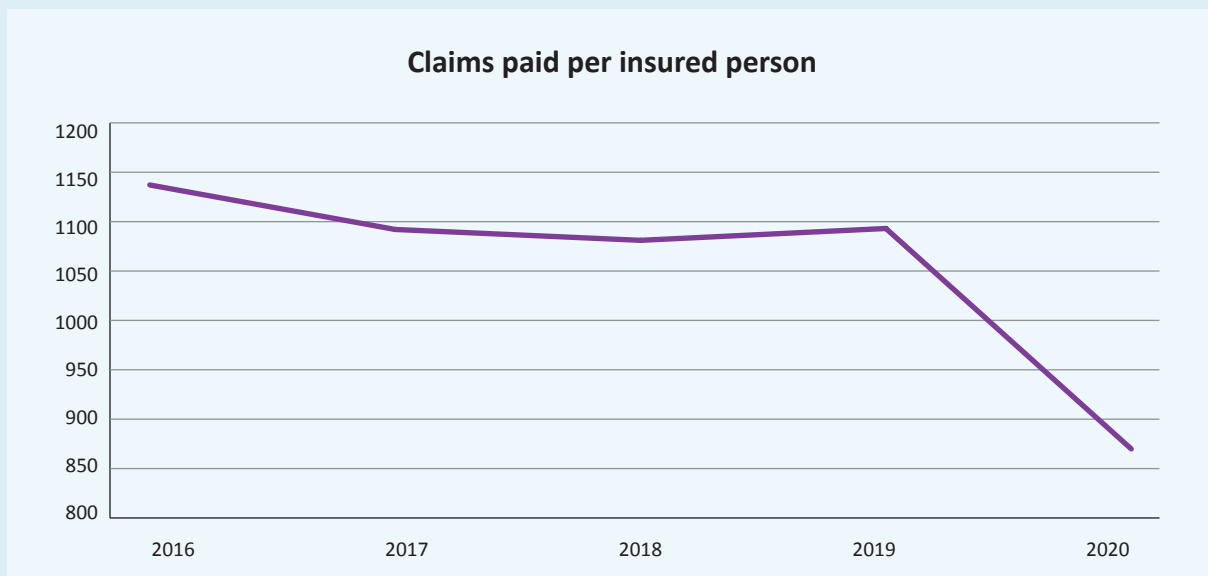
Market shares vary significantly by the ages of the insured, as set out in Appendix C. For instance, at the end of 2020, Vhi Healthcare insured 51% of the market excluding restricted undertakings and insured 58% of those aged 70-79 with insurance, compared to 72% at the end of 2014.

The health insurance market is the largest non-life insurance market in Ireland. Premium income in 2020 was €2.64bn, which was lower than 2019 (€2.72bn). The three main insurers, Vhi, Laya and Irish Life Health accounted for 94% of this amount. The decline in premium income was due to substantial refunds to customers due to the curtailment of access to private hospital treatment during the year on account of Government emergency healthcare measures in response to the Covid-19 pandemic. This curtailment caused a substantial reduction in insurance claims.

5.2 Cost of Health Insurance and Healthcare Claims Costs

The average amount of premium per insured person declined in 2020 to €1,142. However, this decline was due to the exceptional refunds made in 2020 that were related to the impact of Covid-19 on the health insurance market. The average amount paid for a health insurance premium for in-patient cover in 2019 was €1,200, compared to €1,210 in 2018. These figures are based on gross premium levels but child premiums and young adult discounts have a lowering effect on the average figure³.

The rate of claims paid per insured person also declined in 2020, reflecting the impact of Covid-19 on access to hospital facilities. Children are given a weighting of 1/3rd in these calculations to reflect the lower premium paid.



Due to the exceptional circumstances caused by Covid-19 and especially the takeover by the state of private hospitals for three months in 2020, total claims paid by the three main insurers (Vhi, Laya, Irish Life Health) fell to €1.88bn in 2020, compared to €2.24bn in 2019. In addition, the three largest restricted membership undertakings pay out approximately €100m of claims in a year. The breakdown of claims was (with 2019 percentages in brackets) 14% (12%) for outpatient claims (including outpatient consultant fees), 19% (19%) for consultants in-hospital treatment (including daycases and side-room procedures), 46% (48%) private hospitals and 21% (21%) public hospitals.

2. Laya Healthcare Ltd is an insurance intermediary that sells the health insurance policies underwritten by Elips Insurance Limited, which is a registered undertaking with the Authority. Laya Healthcare Ltd is not regulated by the Authority but is regulated by the Central Bank of Ireland.

3. The net premiums that consumers are billed for by insurers are reduced by income tax relief, which is 20% of the gross premium up to a maximum of €200 and which the insurers receive directly from the Revenue Commissioners.

5.3 Product Developments

On 1 January 2021 there were 34 types of health insurance contracts specified as being Non-Advanced by the Authority, compared to 31 on 1 January 2020. Each of the Open Membership Undertakings has at least one type of Non-Advanced contract. On 1 January 2021 there were 282 Advanced types of health insurance contracts, compared to 274 on 1 January 2020.

Features of the market include:

- At the end of 2020, 8% of health insurance contracts were Non-Advanced contracts (subject to the lower rate of stamp duty), which was the same as 2019.
- 10% of the insured population had policies that did not cover all public hospitals at the end of 2020. These policies are at the cheaper end of the range but vary somewhat. For instance, one insurer excludes the specialist public orthopaedic hospitals in a few of its policies. Other insurers exclude a number of the smaller general public hospitals around the country in a few policies.
- Older people pay more on average for health insurance. Those over the age of 65 pay, on average, premiums that are 34% higher than the premiums paid by those under the age of 65 for typical mid-level products (policies that cover private hospitals for a shared room). On average, they desire a better level of hospital and benefit coverage compared to younger consumers and also may be more reluctant to switch plans and/or insurers.

5.4 Attitudes Towards Health Insurance

The Authority carried out a survey, using Kantar's online panel to measure the opinions of the public towards health insurance in Ireland in terms of accessibility, premiums, policy renewal, minimum cover and its effect on the public health system. The results of the survey showed high levels of support for the government policies underlying risk equalisation including community rating of policies, open enrolment, and requirement to offer minimum benefits.

The survey found that three in four people agreed overall that Health Insurance should be made available to all, regardless of the health or age.

There was widespread agreement that premium prices should not be dictated by a person's current health, with older respondents most likely to agree. Those surveyed also expressed a strong sense of equality and fairness in terms of health insurance – Older customers should not be penalised because of their age. There was also high levels of support for open enrolment - two in three believed that health insurers should be compelled to renew policies, regardless of circumstance, with a significant majority stating that there should be a minimum level of cover available for all health insurance policies.

Three in five of those surveyed believed that having private health insurance eases pressure on the public health system.

6

Regulation



6.1 Regulatory Structure of the Market

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

Community rating means that the level of risk that a particular consumer poses to an insurer does not affect the premium paid. Everybody is charged the same premium for a particular plan, irrespective of age, gender and the current or likely future state of their health subject to exceptions in respect of children under 18 years of age, discounts for members of group schemes, young adults and lifetime community rating loadings.

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

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

Lifetime Community Rating was introduced into the Irish private health insurance market on 1 May 2015 with amendments in 2018. Lifetime community rating is a system whereby the premium that individuals pay for health insurance rises with the age they enter the private health insurance market, but does not vary in relation to their current age. Loadings apply to people aged higher than 34 taking out inpatient private health insurance for the first time after 30 April 2015 but legislation specifies circumstances under which an individual may receive credited periods which can reduce the loading being applied.

Level of Cover

Under the Health Insurance (Amendment) Act 2012, the Authority determines which types of health insurance contracts are Non-Advanced contracts, to which the lower levels of risk equalisation credits and community rating levies apply, and includes them in the Register of Health Insurance Contracts. Non-Advanced contracts are those that provide for not more than 66% of the full cost of hospital charges in a private hospital or not more than the prescribed minimum payments under the Minimum Benefit Regulations, whichever is greater.

During 2020 the Authority were satisfied that four new plans were Non-Advanced contracts.

6.1.1 Regulatory Developments in 2020

The Health Insurance (Amendment) Act 2020 was enacted in December 2020. It amended the Health Insurance Act 1994 as follows:

- To specify the amount of premiums to be paid from the Risk Equalisation Fund in respect of certain classes of insured persons from 1 April 2021
- To make a consequential amendment to the Stamp Duties Consolidation Act 1999; and
- To provide for related matters.

Insurers selling health insurance contracts to persons “ordinarily resident in the State” are required to be registered with the Authority and to comply with the provisions of the Health Insurance Acts. The Authority has determined that “ordinarily resident in the State” in respect of non-European Economic Area students means attending a course of study of more than one academic year’s duration. The Authority wrote to a number of insurers in 2016 who were then selling (or considering selling) such contracts informing them of this determination. Chubb European Group Limited did not accept this determination and the Authority consequently served an Enforcement Notice on it in March 2017.

Legal proceedings on this matter between Chubb and the Health Insurance Authority have been ongoing from 2017 and were brought to a close during 2020.

On 11 January 2019 Judge Burns granted Chubb leave to appeal all questions of law in the High Court verdict to the Court of Appeal. The case was brought before the Court of Appeal in December 2019 and was heard by Ms Justice Power, Ms Justice Whelan and Mr Justice Murray. Judgement was reserved until the new year. On 8th April 2020 the judgement was delivered and found that students undertaking an academic course in excess of one year are ordinarily resident. The judgement was perfected on 11 September 2020 and came into effect on 2 October 2020.

6.2 Irish Risk Equalisation Scheme

Risk equalisation is a process that aims to address differences in insurers' claim costs that arise due to variations in the health status of their members. Risk equalisation involves payments to or from insurers related to the risk profile of their membership.

The Irish Risk Equalisation Scheme is a scheme designed to support the overall objectives of the Health Insurance Acts which are:

Community Rating;

- Open Enrolment;
- Lifetime Cover
- Obligation of insurers to cover minimum benefits.

The current Risk Equalisation Scheme (RES), applicable from 2016 to 2020, was notified to the European Commission as a State Aid that was compatible with the internal market. In February 2016 the European Commission stated that it was not raising objections to this notified aid scheme.

The Authority has two main functions under the RES. It makes recommendations to the minister each year regarding the level of credits payable under the scheme and associated community rated levies. It also manages the Risk Equalisation Fund ("REF"), receives claims from the insurers and makes payments from the Fund.

The main elements of the Risk Equalisation Scheme are the following:

- Risk equalisation credits payable in respect of premiums vary on the basis of age, gender, and level of cover. To protect competition, the credits are set so that the net projected average claims cost for any age group in receipt of age-related credits are expected not to reduce below 125% of the projected market average net claims cost.
- Risk equalisation credits are also payable in respect of hospital claims. Specifically, a fixed amount is payable from the REF for each overnight and day-case stay which an insured person spends in private hospital accommodation or in a publicly funded hospital where a charge is payable under Section 55 of the Health Act 1970 for such a stay. This reduces the cost to the insurer of insuring less healthy individuals.
- The Authority recommends to the Minister for Health the amounts of the risk equalisation credits and the amounts of the community rating levies, based on the claims data on the insured population and other data.
- Risk equalisation credits are paid out of the REF to the insurers by the Authority. Any surpluses or deficits in the REF are carried forward and allowed for in setting future levy amounts.
- The cost of the credits is recouped by the REF through a community rating levy which varies between children and adults and between two levels of cover (Advanced and Non-Advanced). Community rating levy payments are paid by insurers to the Revenue Commissioners who in turn transfer the money to the REF.

6.2.1 Risk Equalisation Rates Applying in 2020

The rates of the risk equalisation credits and the community rating levy that applied to contracts commencing and renewing in 2020 are set out in *Appendix E*.

For policies commencing on from 1 April 2019 to 31 March 2020 the risk equalisation credits were set so that the projected market average claims cost (net of risk equalisation) for all age groups from age 65-69 and over would be less than or equal to 130% of the projected market average claim cost. The community rating levy was set at the amount projected to fund the credits with the levy for Non-Advanced plans equalling 40% of the rate applying for Advanced plans.

For policies commencing on from 1 April 2020 to 31 March 2021 the risk equalisation credits were set so that the projected market average claims cost (net of risk equalisation) for all age groups from age 65-69 and over would be less than or equal to 130% of the projected market average claim cost. The community rating levy was set at the amount projected to fund the credits with the levy for Non-Advanced plans equalling 35% of the rate applying for Advanced plans.

6.2.1.1 Risk Equalisation Rates Applying from 1 April 2021

The Risk Equalisation Scheme was due to be renewed in 2020 and as such needed to be notified to the European Commission for appraisal under State Aid regulations. In light of the Covid-19 pandemic and its potential to impact the private health insurance market the Department of Health decided to extend the existing scheme until 31 March 2022. The European Commission confirmed in December 2020 that they had no objections to the prolongation of the Risk Equalisation Scheme to 31 March 2022.

In making its recommendations on the amounts of the Risk Equalisation Credits and Community Rating Levies, for policies commencing from 1 April 2021, the Authority did so on the assumption that the Risk Equalisation Scheme would be extended for a year. In making its recommendation the Authority also took into consideration the projected surplus expected to arise in the Risk Equalisation Fund reflecting a reduction in hospitalisation rates due to Covid-19 for 2020 which served to reduce the community rated levies that would have otherwise applied for the period for the period from 1 April 2021.

The rates applying from 1 April 2021 were given effect in the Health Insurance (Amendment) Act 2020 and are set out in *Appendix E*. These credits were set so that the projected market average claim cost (net of risk equalisation) for all age groups from ages 65-69 and over would be less than or equal to 133.5% of the projected market average claim cost.

The community rating levy was set at the amount projected to fund the credits with the levy for Non-Advanced plans equalling 35% of the rate applying for Advanced plans.

6.2.2 Overcompensation Assessment

The Authority is also required to assess whether the Risk Equalisation Scheme overcompensates any insurer. Each year, the Authority assesses if any insurer has been overcompensated by the risk equalisation scheme, enabling them to earn in excess of a reasonable profit. The assessment as to whether the 2016 – 2020 Risk Equalisation Scheme results in overcompensation is based on whether a net beneficiary's Return on Sales gross of reinsurance and excluding investment activities exceeds 4.4% per annum, calculated on a rolling three-year basis. If the Authority determines under the Health Insurance Acts that an insurer (which is a net beneficiary of the risk equalisation scheme) has been overcompensated, the Authority must issue a draft report to the insurer. The Authority will then take account of any submissions received from that insurer before making a final determination on overcompensation, which is provided to the Minister for Health, an insurer that has been compensated must then refund the amount of overcompensation to the REF

For the period 2017 to 2019 inclusive, the Authority evaluated and analysed the information provided to it by the three participants in the RES and made a determination that the net beneficiary had not been overcompensated as a result of the risk equalisation scheme.

6.2.3 The Risk Equalisation Fund

The Authority is responsible for administering and maintaining the Risk Equalisation Fund ("REF") which was established in 2013 under the Health Insurance (Amendment) Act 2012. The Registered insurers submit risk equalisation credit claims and returns to the Authority. The Authority validates those claims and determines the payable claims. Once the Authority is satisfied that the risk equalisation credits claimed are properly due to an undertaking, the Authority arranges payment of the due amount from the REF. Payments made in 2020 in relation to REPC and HUC credits totalled €741 million. Community rated levies paid into the fund in 2020 amounted to €774m.

On an annual basis, the Authority carries out an inspection of each of the registered undertakings to ensure compliance with the regulations of the REF. The 2020 inspection by the Authority indicated that the registered

undertakings have good systems, procedures and controls in place in respect of REPC and HUC. Notwithstanding this the Authority identified 3 procedural findings as a result of the inspections, which have all been resolved to the satisfaction of the Authority.

The community rating levy is collected as stamp duty by the Revenue Commissioners from registered undertakings on a quarterly basis. It is due on the 21st day of the second month following the end of each quarter. The quarterly levy amount is then paid by the Revenue Commissioners into the REF's current account. These funds are then used to pay the credits due under the Risk Equalisation Scheme.

The Authority engages internal audit consultants to carry out an annual review of the Authority's procedures for administering the REF. Management accounts are prepared and submitted to the Members of the Authority on a monthly basis. In 2020, there were no internal audit findings regarding the administration of the Risk Equalisation Fund.

6.3 The Register of Health Benefits Undertakings

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

Any health insurer carrying on health insurance business in Ireland is required to register with and obtain a certificate from the Authority, on an annual basis. In 2020, 11 insurers registered with the Authority.

6.4 The Register of Health Insurance Contracts

The Authority is responsible for maintaining the "Register of Health Insurance Contracts". Section 7AC of the Health Insurance Act 1994 states that the Register shall be in such form and shall contain such particulars relating to any type of health insurance contract on offer in the State as may be specified by the Authority. The contents of the Register are available for inspection on the Authority's website at: <http://www.hia.ie/consumer-information/register-of-health-insurance-contracts> or at the offices of the Authority.

6.5 Product Notification

Registered undertakings are required to submit samples of each new or revised contract to the Authority, not later than 30 days before first offering such a product, to ensure that they are not contrary to the Health Insurance Acts.

An undertaking will maintain all offers for not less than 60 days on the same terms and conditions and the product has to be offered for a period of 12 months unless there is good and sufficient reason for a different term.

Insurers submitted 746 samples of new/revised contracts to the Authority in 2020 (2019: 1,339).

7

Consumer Interest



7.1 Consumer Queries and Complaints

One of the key functions of the Authority is to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them.

The Authority aims to increase consumer awareness of their rights and assist them in understanding health insurance products. The Authority also monitors the provision of information to consumers by insurers as well as monitoring compliance with the Health Insurance Acts.

7.1.1 Consumer Information

The Authority operates a consumer information service, via telephone and email. It assists consumers by answering queries regarding health insurance and by assisting them in resolving disputes with insurers. In 2020 the volume of queries and complaints received by the Authority was 3028 contacts (2019: 2790). Topics that were most frequently raised with the Authority were:

- Requests for comparisons between health insurance products;
- Moving in/out of the country
- Lifetime Community Rating;
- Queries relating to waiting periods
- Rights in relation to switching insurers

During 2020, the Authority intervened successfully on behalf of consumers in relation to issues arising with respect to their health insurance. Two examples of cases addressed by the Authority are set out below.

7.1.2 Case Study 1

A consumer contacted the authority to query the lifetime community rating loading they had received from their provider. Having reviewed the loading received, it appeared that the member's full history had not been taken into consideration. The Authority contacted the insurer to request a breakdown of the calculation and to confirm if their full history of health insurance had been taken into consideration.

Following a review by the insurer, they confirmed that an error had been made and full credit had not been awarded for all periods of previous cover when calculating the life time community rating (LCR) loading. This was updated and the members LCR credits are now reflective of their full health insurance history

7.1.3 Case Study 2

A consumer needed proof of cover from an insurer that left the Irish private health insurance market. The consumer was having difficulty obtaining this proof so they reached out to the Authority. We contacted the insurer that still have access to the records of the former insurer in question and after liaising with them the consumers query was brought to a satisfactory close.

7.2 Price Comparison Tool

The Health Insurance Authority's website (www.hia.ie) provides consumers with a range of independent information on health insurance issues which will answer all of their questions and arm them with the information they need to make the best decision for themselves and their family.

The HIA's comprehensive plan comparison tool, accessible on its website, allows consumers to choose the most appropriate plans for their circumstances and compare benefits and prices of plans side by side. The comparison tool provides details of every plan on the market allowing consumers to compare plans on the basis of price, level of cover, excess and a range of other benefits. Consumers can compare up to four plans at any one stage, and can browse the website on multiple devices including phone, laptop or desktop.

In 2020, our website received a total of 236,535 visits. 80% of these visits were from people visiting our site for the first time as our public awareness activities brought the HIA's messages to new audiences. 78% of visitors to the website visited the comparison tool pages while *frequently asked questions*, *cancelling your health insurance plan*, *lifetime community rating explained* and *switching health insurance plan provider* were the most popular pages. Consumers spent an average of 3 minutes 12 seconds on our site.

7.3 Advertising

The HIA carried out a seven-week public awareness campaign during 2020 targeted at those aged 35-55, to remind consumers that the HIA is an independent and trusted source of information in relation to private health insurance. The campaign consisted of a mix of radio adverts, digital display, video on social channels, paid search and sponsored Gmail ads to reach consumers.

TV advertising was a cornerstone of the campaign. The 30 second TV ad ran for 7 weeks and reached 57% of all adults at least 5 times. The ads were shown across all channels including primetime spots on Six One News, The Claire Byrne show and the All Ireland final. The increase in popularity of streaming services like Netflix or RTE player offered another opportunity to interact with consumers, who were spending more time at home streaming shows during lockdown.

Building on the success of last year's radio campaign resulted in 67% of our target audience hearing our ad at least 5 times. This year's campaign increased the range of stations which carried the ads, and also included ads on podcasts and Spotify.

The campaign included a partnership with the Irish Times/Irish Examiner which allowed us to deliver a more detailed message to consumers in a series of articles and was accompanied by a social media push to drive traffic to the website.

The success of the campaign can be seen through the increase in consumer calls and website visits. Consumer calls during this period doubled when compared with the same period last year.

7.4 Social Media

Social media is no longer just being accessed on laptops but by people on their phones and tablets in all situations and at all times. Twitter, Facebook and Instagram are always on and provide a cost-effective way of reaching consumers through continuous advertising. The Authority have continued to drive a social media presence during 2020, through targeted advertising, sponsored posts, and partnerships with online news sources. This year's campaign continued to build on the positive momentum created on social media in the prior year campaign with over 1 million views of the Hunter the Cat video and an increased presence for the HIA on twitter, Facebook and Instagram.

8

Corporate Affairs



8.1 Corporate Governance

8.1.1 Corporate Governance Code of Practice

The Code of Practice for the Governance of The Health Insurance Authority complies with the revised Code of Practice for the Governance of State Bodies (2016) (the “Code”) which came into effect on 1 September 2016.

8.1.2 Ethics in Public Office

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

8.1.3 Protected Disclosure

In accordance with Section 21 of the Protected Disclosures Act, 2014 the Authority has established and maintains procedures for current or former employees to make protected disclosures in relation to the Authority and its work and for dealing with such disclosures. Written information in relation to these procedures has been provided to all employees. The Authority’s policy can be found on its website at <https://www.hia.ie/about-us/governance>.

In respect of 2020 one disclosure was made to the Authority under the Protected Disclosures Act 2014.

8.1.4 Human Rights and Equality

In accordance with Section 42 of the Irish Human Rights and Equality Commission Act, 2014 the Authority has established and maintains procedures to eliminate discrimination, promote equality and protect the human rights of people that use the Authority’s services, people affected by its policies and people employed by the Authority.

In respect of 2020 no disclosures were made to the Authority under the Irish Human Rights and Equality Commission Act, 2014.

8.1.5 Official Languages

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

The Authority drafted its first Irish Language Scheme under Section 11 of the Official Languages Act 2003. Section 11 provides for the preparation by public bodies of a statutory scheme detailing the services they will provide:

- through the medium of Irish;
- through the medium of English; and
- through the medium of Irish and English.

The Scheme was developed by the Authority having regard to the Guidelines prepared under Section 12 of the Official Languages Act 2003. The second Health Insurance Authority Language Scheme 2020 – 2023 was confirmed by the Minister for the Department of Culture, Heritage, and the Gaeltacht, and came into effect on the 1 October 2020. The Scheme sets out the measures to be adopted to ensure that a range of some services not provided through the medium of Irish will be so provided within the agreed timeframe. The Scheme is available on the Authority’s website at www.hia.ie

8.1.6 Freedom of Information and Parliamentary Questions

The HIA continues to meet its obligations in relation to the Freedom of Information Act 2014. In 2019, four Freedom of Information requests were received by the HIA. Of these, four were part granted. The Authority also provided information in respect of two parliamentary questions.

8.1.7 Annual Report and Accounts

The Annual Accounts for 2020 for both the Health Insurance Authority and the Risk Equalisation Fund (administered by the Authority) were prepared and submitted to the Office of the Comptroller and Auditor General (“the C&AG”) for audit. These Accounts have been audited and approved by that office and are set out in Section 5 of this Annual Report and Accounts.

8.1.8 Internal Audit

The functions of the Authority are set out in Section 21(1) of the Health Insurance Acts. The Authority has established an Audit and Risk Committee (ARC) whose function is to support the Authority in relation to its responsibility for issues of risk, control and governance and associated assurance.

The ARC met four times in 2020. Membership and attendance at meetings of the Audit & Risk Committee throughout 2020 can be found in the Governance Statement contained in the Accounts set out in Section 5 of this Annual Report and Accounts. The ARC agreed a programme of internal audits and during 2020 the Committee directed that a number of audits be conducted on its behalf by BDO, the Authority’s appointed internal auditors. The internal auditors conducted separate audits on the internal financial controls for the Health Insurance Authority and the Risk Equalisation Fund, Cyber Security and a review of the Framework for Managing Information Returns. Reports on each audit containing audit descriptions, audit findings and management comments were submitted to the ARC and the Authority. The ARC met with both the internal and external auditors during the year. Action plans were prepared by the Authority’s executive to address audit findings and these were monitored by the ARC.

The ARC oversaw the annual financial statements and accounting policy, risk management, internal controls and value for money issues.

8.2 Risk Management

The Authority in undertaking its role and functions, is exposed to a variety of strategic, operational and financial risks. These risks may arise from either internal or external sources and may prevent, or seriously affect the ability of the Authority in achieving its objectives. The Authority seeks to manage and mitigate risks which have the potential to affect its ability to effectively carry out and achieve its functions and objectives.

The Authority has a comprehensive risk management policy in place and related risk management processes that operate across the organisation. The Board of the Authority has ultimate responsibility for the Authority’s system of internal control including risk management. The Board is responsible for approving the organisation’s risk management policy including risk appetite, and monitoring the effectiveness of the overall system of risk management. Management and staff, Chief Risk Officer and the Audit and Risk Committee each have responsibilities in meeting the Authority’s risk policy commitments. The risk register identifies key risks for the organisation.

A summary of the Authority’s principal risks and uncertainties, as at December 2020, is provided below.

- The Risk Equalisation Scheme underpins the community rated private health insurance market and supports the principal objective of the Authority. The Authority recognises the following significant risks in association with the operation of the Risk Equalisation Scheme.
 - The Risk Equalisation Scheme (RES), which will be applicable from 2022 to 2026, must be notified to the European Commission as a State Aid that was compatible with the internal market. The Authority is working closely with the Department of Health to assist with the EU approval process
 - The Risk Equalisation Scheme 2022 to 2026 will seek to incorporate a High Cost Claims Pool. The potential for a delay to the implementation of the HCCP, as well as the operational difficulties associated with the administration of the scheme by the Authority are being addressed with the Department of Health and remain a high-ranking risk on the Risk Register.
 - The risk of significant under/over provisioning for the Risk Equalisation Fund is mitigated by the use of external actuarial advice, comparison with insurers related HUC assets, and the amount provided for is subject to both internal and external audit.

- The risk to the appropriateness of judgements used in setting of assumptions and projection methodology in the Scheme is mitigated by the use of external consultant review on an annual basis.
- The Authority seeks to mitigate the risk of losing public support for the Risk Equalisation Scheme through the use of public consultations in relation to any scheme changes, as well as seeking to inform consumers of the benefits of a community rated market including updating information for consumers on websites and booklets, and the use of consumer surveys to gauge public sentiment and support for community rating.
- The Authority has a responsibility to inform consumers of their rights. The large number of policy options available to consumers, together with complex regulations such as Lifetime Community Rating and the importance of the Risk Equalisation Scheme in supporting the community rated market, increases the risk of consumers having an inadequate understanding of health insurance cover. Research results including information returns, consumer surveys and analysis of the calls received on the consumer advice line, inform the Authority of the areas where people have difficulty in understanding. To mitigate this risk, the Authority has invested in an extensive information campaign including advertising, newspaper partnerships, social media presence and radio interviews as well as providing information booklets and a FAQ section on our website including information on the Covid-19 pandemic.
- The Authority relies on technology to enable the delivery of our functions. The Authority carries risks related to operational effectiveness and service user access and experience owing to aging website functionality while new infrastructure is being developed, and risk to the Authority's business continuity should this be impacted by malicious cyber activity. To mitigate these risks the Authority has taken steps that ensure ongoing systems updates and testing takes place, a business continuity plan is established, and antivirus software and cybersecurity infrastructure is in place. A security user awareness and training programme has been completed by all staff.
- The Authority employs eleven members of staff. The resulting risk to continuing operational effectiveness in the event of losing key personnel is addressed by the Authority's succession plan and the availability of external service providers.
- The Authority is awaiting confirmation from the Department of Public Expenditure & Reform (DPER) with a view to gaining clarity from that Department on the funding of pension liabilities for the Authority's Superannuation Scheme. The Authority is making the necessary deductions from salaries which are retained by the Authority, but are not recognised as income. The Authority is also providing for employer contributions to the Scheme. The risk that this issue remains unresolved is included on the Authority's Risk Register.
- The principle objective of the Authority 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. The risk of health insurers segmenting the market is addressed by the Authority through the ongoing development of the Risk Equalisation Scheme, and the Authority's consumer rights function.
- The risk of major non-compliance with health insurance legislation by a non-registered insurer or related entity was highlighted by the Chubb case which concluded in October 2020.
- The impact of a weakness in the economy on the health insurance market was highlighted during the Covid-19 pandemic. The Authority continues to monitor the effect on the market through our research function, and maintains this risk on its Risk Register.

8.3 Communications Strategy

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

During 2020, the Authority's communications campaigns employed both targeted public relations activities and advertising to raise awareness among consumers of the HIA as an independent and trusted source of information in relation to private health insurance.

The primary communications activities comprised of the following:

- Publication of Covid–19 Information to Consumers on the HIA website
- Seven-week public awareness campaign during 2020 consisting of a mix of radio adverts, digital display, video on social channels, paid search and sponsored Gmail ads to raise awareness among consumers of the HIA as an independent and trusted source of information in relation to private health insurance.
- Publication of Consumer Guides to Switching Health Insurance, Using the HIA comparison tool, Top Tips to reduce your Health Insurance Premium.
- Regional and National Radio and Press Interviews.
- Increased Social Media Presence during 2020, through targeted advertising, sponsored posts, and partnerships with online news sources.
- Publication of the Authority’s Annual Report;
- Publication of the Authority’s independent consumer research on the private health insurance industry;
- Continued engagement with media on a range of matters concerning private health insurance including the impact of Covid–19 on private health insurance, COVID -19 refunds as well as advice to consumers on switching policies or providers and consequences of the recent Appeal Court judgement in the Chubb case.

8.4 Energy Consumption

The public sector has been set a target by the Government of a 33% energy efficiency savings by 2020, equal to 3,240 GWh. This represents 10% of the energy saving required by 2020 for the entire economy (a national target of 20% saving has been set for the economy as a whole). To achieve the targeted saving the National Energy Efficiency Action Plan (NEEAP) was developed which along with the European Communities (Energy End-Use Efficiency and Energy Services) Regulations 2009 mandated the following obligations and targets;

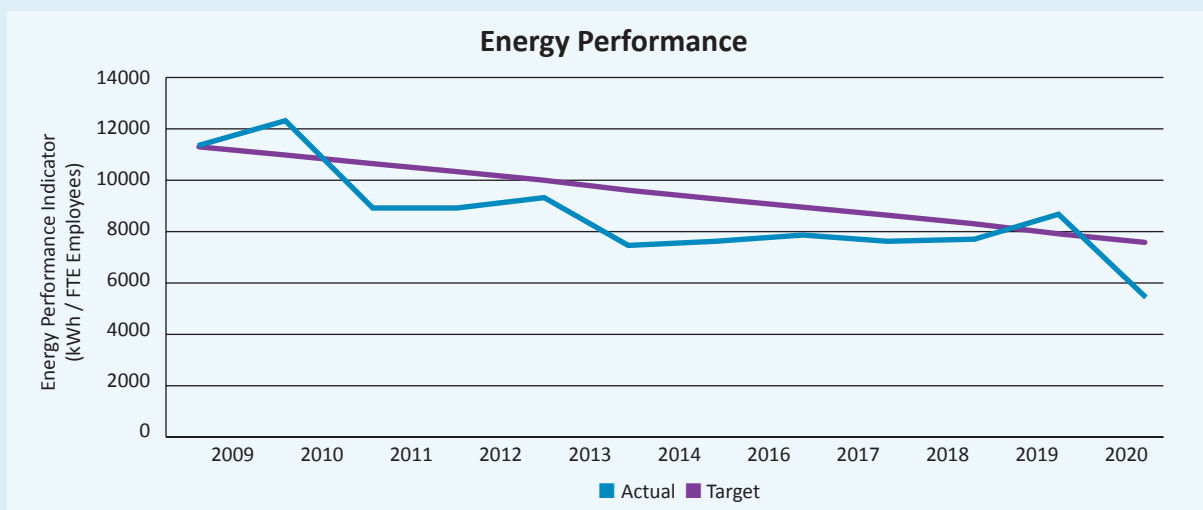
- All public sector bodies from 1 January 2011 shall include in annual reports, a statement describing the actions they are taking to improve its energy efficiency and an assessment of its progress towards the 33% target;
- Put energy efficiency programmes in place for Government Departments, State Agencies, Local Authorities, the Health Service and all other areas of the public sector;
- Implement energy-efficient procurement practices; and
- All public sector buildings over 1,000m² must have a Display Energy Certificate on show to demonstrate actual energy use and the Building Energy Rating.

The Authority has one office which is located in Beaux Lane House. The offices are situated on part of the ground floor of a multi occupancy office building. The floor area leased does not exceed 1,000m² where a Display Energy Certificate is required.

The Authority reports on its energy performance to the Sustainable Energy Authority of Ireland under SI No 542/2009 – European Communities (Energy End Use Efficiency and Energy Services) Regulations 2009. The report on the energy consumption is based on the proportion of Authority staff within the whole building.

- In 2020, the Authority consumed 38,000 kWh of energy, consisting of:
 - 21,000kWh (2019: 35,000kWh) of electricity and
 - 17,000kWh (2019: 15,500kWh) of fossil fuels (heating)

The following graph shows the historical energy performance for the Authority starting at the base line year of 2009 up to 2020.



Energy Efficiency Programme Actions Undertaken in 2020:

- Heating managed in line with actual weather conditions;
- Information Technology and other equipment replaced with more energy efficient equipment when replacements are required;
- The increased use of digital correspondence where practical; and
- The continued promotion of responsible energy usage within the organisation.

Energy Efficiency Programme Actions Planned for 2021:

- Procurement of energy efficient multi-functional devices when replacing equipment;
- The promotion of increased use of digital correspondence; and
- The continued promotion of responsible energy usage within the organisation.
- Align HIA’s energy targets with the 2019 Climate Action Plan which sets out 2030 targets for the Public Sector

The Authority has reached the goal of 33% energy efficiency saving by 2020.

8.5 Resources

8.5.1 Staff

The Authority employs eleven members of staff.

8.5.2 Funding

The operations of the Authority are funded by a levy on registered undertakings in accordance with Section 17 of the Health Insurance Act, 1994. The 2010 Levy Regulations⁴ set the rate to be paid by registered undertakings at 0.12% of premium income of registered undertakings. Statutory Instrument 528/2014, Health Insurance Act 1994 (Section 17) Levy Regulations 2014 further amended the income levy setting the rate at 0.01% for 2015 and 2016 and at 0.09% from 2017. The levy is payable to the Authority on a quarterly basis.

Registered undertakings are also obliged to submit details of the numbers of insured persons and the premium income. These statistics are summarised in *Appendix A*. The Register of Health Benefits Undertakings as at 31 December 2020 is set out in *Appendix D*.

9

**Report and
Accounts 2020**



9.1 The Health Insurance Authority Report and Financial Statements for the year 1 January 2020 to 31 December 2020

To the Minister for Health

In accordance with the terms of Section 32(2) of the Health Insurance Act, 1994, The Health Insurance Authority presents its Report and Accounts for the twelve-month period ended 31 December 2020.

The Health Insurance Authority ("the Authority") Report and Financial Statements

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Report and Accounts 2020

The Health Insurance Authority

Authority Information

Members of the Authority

Sheelagh Malin (Chairperson)

Dr Fiona Kiernan

Caroline Barlow

Michael A. O’Sullivan

Damien McShane

Marcella Flood

John Armstrong

Chief Executive/Registrar

Don Gallagher (Term completed 07/12/2020)

Laura Brien (Appointed 08/12/2020)

Secretary

Maeve Kearns

Bankers

AIB plc.

40/41 Westmoreland Street, Dublin 2

Permanent TSB

56/59 St Stephen’s Green, Dublin 2

Auditors Comptroller and Auditor General

3A Mayor Street Upper, Dublin 1, DO1PF72

Offices

Beaux Lane House

Mercer Street Lower, Dublin 2, D02 DH60

The Health Insurance Authority Governance Statement and Authority Members' Report

Governance

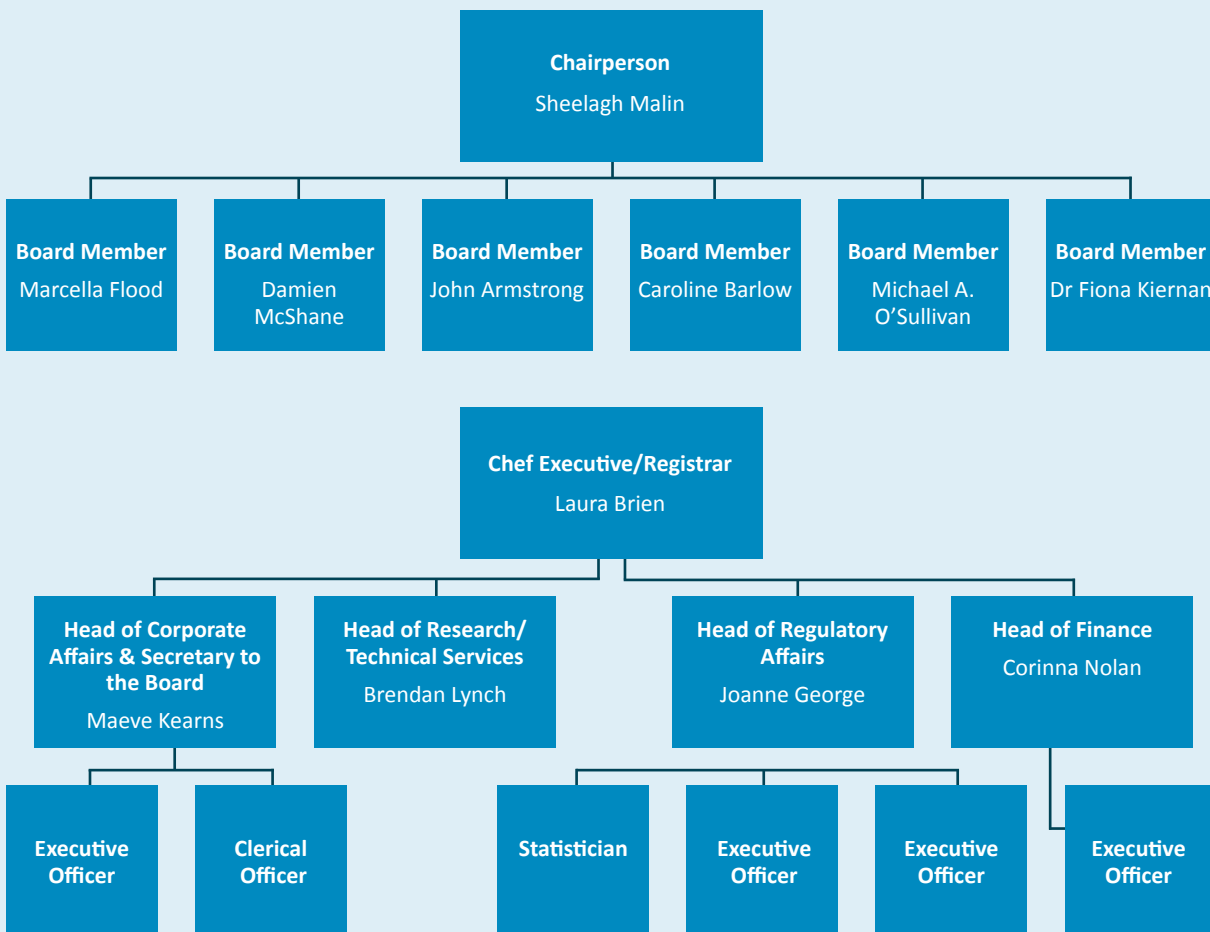
The Authority was established by Ministerial Order on 1 February 2001, under the Health Insurance Act, 1994 as amended (the "Health Insurance Acts"). Schedule 1 of the Health Insurance Acts establishes the Authority as a corporate body and the arrangements for appointing the Chairperson and Members of the Authority. The Authority consists of seven members appointed by the Minister for Health, one of whom is appointed as Chairperson.

The Authority has put in place Rules of Business (Terms of Reference) which set out the arrangements for Authority membership, the calling and conducting of meetings, the role of the Secretary of the Authority, and the Authority's duties and reporting responsibilities. The Rules are in line with the Code of Practice for the Governance of State Bodies 2016 (the "Code") as published by the Department of Public Expenditure and Reform in August 2016.

These arrangements also apply to the Risk Equalisation Fund, responsibility for which, rests with the Authority under the Acts.

Organisational Structure

Organisational Structure of the HIA



The functions of the Authority are set out in section 21(1) of the Health Insurance Acts. The Authority reports, in respect of its governance arrangements, to the Minister for Health and is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of the Health Insurance Authority are the responsibility of the Chief Executive/Registrar (CE/R) and the senior management team. The CE/R and the senior management team must follow the broad strategic direction set by the Authority, and must ensure that all Members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise. The CE/R acts as a direct liaison between the Authority and management.

Authority Responsibilities

The work and responsibilities of the Authority are set out in the Terms of Reference of the Authority, which also contain the matters specifically reserved for Authority decision. Standing items considered by the Authority include:

- declaration of interests,
- reports from committees,
- financial reports/management accounts,
- performance reports, and
- reserved matters.

Section 32(2) of the Health Insurance Acts, requires the Members of the Authority to keep, in such form as may be approved by the Minister for Health with consent of the Minister for Public Expenditure and Reform, all proper and usual accounts of money received and expended by it.

In preparing these financial statements, the Authority is required to:

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

The Authority is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, its financial position and enables it to ensure that the financial statements comply with Section 32(2) of the Health Insurance Acts. The maintenance and integrity of the corporate and financial information on the Health Insurance Authority's website is the responsibility of the Authority.

The Authority is responsible for approving the annual plan and budget. An evaluation of the performance of the organisation by reference to the annual plan and budget was carried out by the Authority on 20 November 2020 and by reference to the full year financial results on 26 March 2021.

The Authority is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Authority is responsible for the establishment, administration and maintenance of the Risk Equalisation Fund ("the Fund"). The Members of the Authority are responsible for the production and approval of financial statements for the Fund.

The Authority considers that the financial statements of both the Health Insurance Authority and the Fund give true and fair views of the financial performance and the financial positions of both entities at 31 December 2020.

Authority Structure

The Authority consists of a Chairperson and six ordinary members, all of whom are appointed by the Minister for Health. The Members of the Authority were appointed for periods of between three to five years and meet at least 8 times per year. The table below details the appointment period for current Members:

Authority Member	Role	Date Appointed
Sheelagh Malin (Chairperson)	Chairperson	6 May 2010 Reappointed 1 February 2016
Dr Fiona Kiernan*	Ordinary Member	1 February 2016
Caroline Barlow	Ordinary Member	24 June 2019
Michael A. O'Sullivan	Ordinary Member	24 June 2019
Damien McShane	Ordinary Member	5 July 2019
Marcella Flood	Ordinary Member	5 July 2019
John Armstrong	Ordinary Member	18 September 2019

*The appointment term of Dr Fiona Kiernan completes on 31 January 2021

Board and Governance Effectiveness

An External Board and Governance Effectiveness Review was commissioned in 2020 to assess the design and effectiveness of the Board and Governance arrangements in place within the Authority and its adherence to good practice. The Review found that there was generally a sound system of internal control designed to achieve system objectives with some exceptions but that non-compliance with key procedures and controls placed the system objectives at risk. There were six detailed findings from the review, of which one was of high significance relating to the role of the Covid-19 Committee, three of medium significance and two of low significance. The Board agreed an action plan to address all the Review findings over the first six months of 2021.

The Authority has established two committees, as follows:

1. Audit and Risk Committee: consists of at least two Authority Members. The role of the Audit and Risk Committee (ARC) is to support the Authority in relation to its responsibilities for issues of risk, control and governance and associated assurance. The ARC is independent from the financial management of the organisation. In particular the ARC ensures that the internal control systems including audit activities are monitored actively and independently. The ARC reports to the Authority after each meeting, and formally in writing annually.

The Members of the ARC are: Michael A. O'Sullivan (Chairperson), Caroline Barlow and Marcella Flood. There were 4 meetings of the ARC in 2020.

2. Covid-19 Committee: consists of at least two Authority Members. The role of the Covid-19 Committee is to consider the impacts that the Covid-19 pandemic may have on the private health insurance market in Ireland and on the Risk Equalisation Fund and to provide guidance to the Authority to assist it in the performance of its functions. The Covid-19 Committee reports to the Authority after each meeting. The members of the Covid-19 Committee are: Caroline Barlow (Chairperson), John Armstrong and Fiona Kiernan.

Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Authority and committee meetings for 2020 is set out below including the fees and expenses received by each Member:

	Authority	Audit & Risk Committee	Covid-19 Committee	Fees 2020 €	Expenses 2020 €
Number of Meetings	8	4	7		
Sheelagh Malin	8	-	-	8,979	-
Dr Fiona Kiernan	8	-	5	-	-
Caroline Barlow	8	4	7	5,985	79
Michael A. O'Sullivan	8	4	-	5,985	868
Damien McShane	8	-	-	5,985	-
Marcella Flood	8	4	-	5,985	-
John Armstrong	8	-	7	5,985	-
				38,904	947

One Member of the Authority, Dr Fiona Kiernan did not receive a fee under the One Person One Salary (OPOS) principle.

Key Personnel Changes

Don Gallagher (Chief Executive/Registrar) was replaced by Laura Brien in December 2020 following the completion of his appointment term.

Disclosures Required by Code of Practice for the Governance of State Bodies (2016)

The Authority is responsible for ensuring that the Health Insurance Authority has complied with the requirements of the Code. The following disclosures are required by the Code:

Consultancy Costs

Consultancy costs include the cost of external advice to management and exclude outsourced 'business-as-usual' functions.

	2020	2019
	€	€
Engineer Consultancy	-	1,845
Project Management - Construction	60,103	14,494
Procurement Support Services	-	6,413
Office Accommodation – Project	3,383	18,450
Legal	-	23,330
	63,486	64,532
Consultancy Costs Capitalised	-	-
Consultancy costs charged to the Income and Expenditure and Retained Revenue Reserves	63,486	64,532
Total	63,486	64,532

Legal Costs and Settlements

The legal costs relating to legal proceedings, or settlements are as follows:

	2020	2019
	€	€
Legal proceedings	75,329	140,488
Legal costs recovered	(184,929)	-
Total	(109,600)	140,488

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2020	2019
	€	€
Domestic		
Authority	947	1,480
Employees	5	2,880
International		
Authority	-	-
Employees	-	-
Total	952	4,360

Hospitality Expenditure

The Income and Expenditure Account includes the following hospitality expenditure:

	2020	2019
	€	€
Staff & Authority hospitality	2,196	3,879
Client hospitality	179	844
Total	2,375	4,723

Statement of Compliance

The Health Insurance Authority has materially complied with the requirements of the Code, with the following exceptions:

The Authority has agreed with the Department of Health to modify its compliance with Paragraph 8.48 of the Code on legal disputes where it is stated that *“where a legal dispute involves another State body, unless otherwise required by statute, every effort should be made to mediate, arbitrate or otherwise resolve before expensive legal costs are incurred.*

State bodies should pursue the most cost-effective course of action in relation to legal disputes.” The Authority has qualified the requirement by inserting *“(other than a registered undertaking)”* after *“State body”*. This reflects the fact that Section 33B of the Health Insurance Acts requires that *“the Authority shall perform the functions conferred on them by or under this Act in such a manner as will result in registered undertakings being treated equally in similar circumstances.”*

The Authority has agreed with the Department of Health to modify its compliance with Appendix C, the Framework for a Code of Conduct of the Code, where it is suggested that the Authority’s Code of Conduct should address the issue of loyalty by acknowledging *“the responsibility to be loyal to the State body and fully committed in all its business activities while mindful that the organisation itself must at all times take into account the interests of the shareholder.”* The corresponding section in the Authority’s Code of Conduct states that *“...the organisation must at all times take into account the requirements of its governing legislation”,* rather than the *“interests of the shareholder”*.

The Authority has agreed with the Department of Health the interpretation of Paragraph 3.3 of the Code which states that *“if a Board member/Director finds evidence that there is non-compliance with any statutory obligations that apply to the State body, he/she should immediately bring this to the attention of their fellow Board members/Directors with a view to having the matter rectified. The matter should also be brought to the attention of the relevant Minister by the Chairperson indicating (i) the consequences of such non-compliance and (ii) the steps that have been or will be taken to rectify the position. It is the Chairperson’s responsibility to make such issues known to the Minister.”* The Authority interprets this requirement as relating to any material non-compliance.

The Authority has agreed with the Department of Health to not disclose aggregate details of the compensation as required under Paragraph 1.4 (vi) of the Business and Financial Reporting Requirement document accompanying the Code. The Authority does not disclose details of the compensation of employees due to the small size of the organisation and the likelihood of an individual’s compensation being identified.

The Authority has agreed with the Department of Health to not disclose details of employee salaries and pension costs over €60,000 in bands of €10,000 as required by Paragraph 1.4 (viii) of the Business and Financial Reporting Requirement document accompanying the Code. The Authority does not disclose details of the salaries and pension costs due to the small size of the organisation and the likelihood of an individual’s compensation being identified.



Sheelagh Malin
Chairperson



Michael A. O’Sullivan
Member

June 28, 2021

Date

The Health Insurance Authority

Statement on Internal Control

Scope of Responsibility

On behalf of The Health Insurance Authority (“the Authority”) I acknowledge the Authority’s responsibility for ensuring that an effective system of internal control is maintained and operated in respect of the Authority and the Risk Equalisation Fund. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

The System of Internal Control is designed to manage risk to a tolerable level rather than to eliminate it. The System can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The System of Internal Control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in the Authority for the year ended 31 December 2020 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The Authority has an Audit and Risk Committee (“ARC”) comprising at least two Members of the Authority with financial and audit expertise, one of whom is the Chairperson. The ARC met four times in 2020.

The Authority engages an independent Internal Auditor that operates in accordance with the approved Internal Audit Charter and reports to the ARC. An Internal Audit Plan is approved by the ARC and revised annually. The Internal Audit Plan is developed using a risk-based approach.

The Authority has set the organisation’s risk appetite and this is laid out in a Risk Appetite Statement. The ARC has developed a Risk Management Policy which sets out the Risk Management Processes in place and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff who are expected to work within the Authority’s Risk Management Policies, to alert management on emerging risks and control weaknesses and to allow staff to assume responsibility for risks and controls within their own area of work.

Risk and Control Framework

The Authority has implemented a Risk Management System which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

Risk management is a standing item on the agenda of both the ARC and the Authority. A Risk Register is in place which identifies the key risks facing the Authority and these have been identified, evaluated and graded according to their significance. The Authority, on an annual basis, review all the risks identified on the Risk Register and the management plan for mitigating the identified risks. Risks identified throughout the year are added to the Risk Register on an on-going basis. In addition, the high-ranking risks (those rated as amber or red), new risks and changing risks on the Risk Register are reviewed a further twice during the year by the Authority. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The Risk Register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff. I confirm that a control environment containing the following elements is in place:

- procedures for all key business processes have been documented,
- financial responsibilities have been assigned at management level with corresponding accountability,
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management and the Authority,
- there are systems aimed at ensuring the security of the information and communication technology systems and
- there are systems in place to safeguard the Authority's assets.

Impact of Covid-19 pandemic to the Control Environment

The onset of the Covid-19 pandemic in early 2020, and the resulting public health advice and safety measures, rapidly and fundamentally changed the working practices of the HIA with remote and virtual working becoming the norm for most HIA staff.

HIA has monitored the developments closely, looking to mitigate the risks that may affect the HIA and Risk Equalisation Fund business operations, staff and stakeholders. Actions taken by the Authority includes: -

- Transition the Authority's business operations to a remote working environment where most business processes can continue as normal.
- Continual assessment of significant risks pertaining to the Covid-19 pandemic and the agility of HIA to respond effectively.
- Ensuring robust segregation of duties remains and adequate cover is in place should specific approving authorities be unavailable.
- Ensuring all existing data protection and records management policies and procedures continue to apply in the remote working environment and are monitored and reported on as normal.
- Ensuring that staff members access HIA's network using HIA's approved ICT equipment and that all staff members working remotely have been equipped with the necessary ICT equipment.
- Assess potential for weaknesses in internal controls resulting from Covid-19 - and took measures to monitor and update internal controls where necessary.
- Due to Covid-19 the on-site inspections of the insurers were carried out remotely over Microsoft Teams and Webex. Walkthrough tests of key processes were performed online via screensharing and controls that are in place were tested to assess their adequacy and effectiveness.

Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Authority, where relevant, in a timely way. I confirm that the following ongoing monitoring systems are in place:

- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- there are regular reviews by senior management and the Authority of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

I confirm that the Authority has procedures in place to ensure compliance with current procurement rules and guidelines and that during 2020 the Authority complied with those procedures.

Review of Effectiveness

I confirm that the Authority has procedures to monitor the effectiveness of its Risk Management and Control Procedures. The Authority’s monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the Internal and External Auditors, the ARC which oversees their work, and the senior management within the Authority responsible for the development and maintenance of the internal financial control framework.

I confirm that the Members of the Authority conducted an annual review of the effectiveness of the Internal Controls for 2020.

Internal Control Issues

No material weaknesses in Internal Control were identified in relation to 2020. The External Board and Governance Effectiveness Review had one finding of high significance relating to the role of the Covid 19 Committee. The board agreed an action plan to address the finding over the first six months of 2021.

On behalf of the Members of the Authority;



Sheelagh Malin
Chairperson

June 28, 2021
Date



Ard Reachtaire Cuntas agus Ciste Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas Health Insurance Authority

Qualified opinion on the financial statements

I have audited the financial statements of the Health Insurance Authority for the year ended 31 December 2020 as required under the provisions of section 32 of the Health Insurance Act 1994. The financial statements comprise

- the statement of income and expenditure and retained revenue reserves
- the statement of financial position
- the statement of cash flows, and
- the related notes, including a summary of significant accounting policies.

In my opinion, except for the non-compliance with the requirements of FRS 102 in relation to retirement benefit entitlements referred to below, the financial statements give a true and fair view of the assets, liabilities and financial position of the Health Insurance Authority at 31 December 2020 and of its income and expenditure for 2020 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

Basis for qualified opinion on financial statements

In compliance with the directions of the Minister for Health, the Health Insurance Authority does not account for its accrued retirement benefit liability. This does not comply with FRS 102 which requires that the financial statements recognise the full accrued liability at the reporting date. The effect of the non-compliance on the Authority's financial statements for 2020 has not been quantified.

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Health Insurance Authority and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Health Insurance Authority has presented certain other information together with the financial statements. This comprises the annual report including the governance statement and Authority members' report and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy
Comptroller and Auditor General

30 June 2021

Appendix to the report

Responsibilities of Authority members

As detailed in the governance statement and Authority members' report, the Authority members are responsible for

- the preparation of financial statements in the form prescribed under section 32 of the Health Insurance Act 1994
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 32 of the Health Insurance Act 1994 to audit the financial statements of the Health Insurance Authority and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.

- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Health Insurance Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Health Insurance Authority to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

The Health Insurance Authority

Statement of Income and Expenditure and Retained Revenue Reserves for the year ended 31 December 2020

	Notes	12 months ended 31 December, 2020 €	12 months ended 31 December, 2019 €
Income	2	2,724,564	2,772,296
Administration costs	3	(2,689,836)	(2,411,128)
Excess of income over expenditure		34,728	361,168
Interest receivable		1,667	5,672
Surplus for the year		36,395	366,840
Retained revenue reserves at beginning of year		9,813,629	9,446,789
Retained revenue reserves at end of year		9,850,024	9,813,629



Sheelagh Malin
Chairperson



Michael A. O'Sullivan
Member

June 28, 2021


Date

Notes 1 to 14 form part of these Financial Statements.

The Health Insurance Authority

Statement of Financial Position as at 31 December 2020

	Notes	2020 €	2019 €
Fixed assets			
Tangible assets	6	565,548	137,971
Current assets			
Cash and cash equivalents		11,045,474	11,683,384
Prepayments and other debtors	7	1,225,100	898,858
		12,270,574	12,582,242
Creditors (amounts falling due within one year)			
Creditors and accruals	8	(2,986,098)	(2,906,584)
Net current assets		9,284,476	9,675,658
Total assets less current liabilities		9,850,024	9,813,629
Net assets		9,850,024	9,813,629
Represented by			
Retained revenue reserves		9,850,024	9,813,629
		9,850,024	9,813,629



Sheelagh Malin
Chairperson



Michael A. O'Sullivan
Member

June 28, 2021
Date

Notes 1 to 14 form part of these Financial Statements.

The Health Insurance Authority

Statement of Cash Flows for the year ended 31 December 2020

	Notes	2020 €	2019 €
Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus for year		36,395	366,840
Depreciation	6	147,562	84,870
(Increase) in debtors	7	(325,643)	(46,905)
Increase in creditors	8	79,514	11,633
Loss on Disposal		553	-
Net cash (outflow) / inflow from operating activities		(61,619)	416,438
Cashflow from investing activities			
Payments to acquire tangible fixed assets	6	(575,692)	(12,606)
		(637,311)	403,832
Cashflow from financing activities			
Interest earned		(1,667)	(5,672)
Interest received		1,068	9,938
(Decrease) / Increase in cash and cash equivalents		(637,910)	408,098
Cash and cash equivalents at 1 January		11,683,384	11,275,286
Cash and cash equivalents at 31 December		11,045,474	11,683,384
(Decrease) / Increase in cash and cash equivalents		(637,910)	408,098



Sheelagh Malin
Chairperson



Michael A. O'Sullivan
Member

June 28, 2021

Date

Notes 1 to 14 form part of these Financial Statements.

The Health Insurance Authority

Notes (forming part of the financial statements)

1. Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Statement of Compliance

The financial statements have been prepared in accordance with Financial Reporting Standard 102 “The Financial Reporting Standard Applicable in the UK and Republic of Ireland” (“FRS102”), as modified by the directions of the Minister for Health in relation to superannuation. In compliance with the directions of the Minister for Health, the Authority accounts for the costs of superannuation entitlements only as they become payable (see Retirement Benefit accounting policy below). The basis of accounting does not comply with FRS 102, which requires such costs to be recognised in the year in which the entitlement is earned.

Basis of Preparation

The financial statements have been prepared on the accruals basis of accounting in accordance with generally accepted accounting principles and under the historical cost convention.

The financial statements of the Authority are presented in Euro (“€”) which is also the functional currency of the Authority.

The Authority is of the opinion that there are no critical judgements that have a significant impact on the amounts recognised in the financial statements.

Levy Income

The levy income represents the amount receivable by the Authority in respect of the period. This takes account of payments made to the Authority in accordance with the Health Insurance Act 1994 as amended. The reasonableness of this figure is checked against the expected levy income based on the Authority’s profile of private health insurance schemes.

Expenditure Recognition

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

Tangible Fixed Assets

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

Foreign Currencies

Transactions denominated in foreign currencies are converted into Euro during the year and are included in the Statement of Income and Expenditure and Retained Revenue Reserves for the period.

Monetary assets and liabilities denominated in foreign currencies are converted into Euro at exchange rates ruling at the reporting date and resulting gains and losses are included in the Statement of Income and Expenditure and Retained Revenue Reserves for the period.

Risk Equalisation Fund

The Risk Equalisation Fund (the Fund) was established on 1 January 2013 under the Health Insurance (Amendment) Act 2012. The Authority is responsible for maintaining and administering the Fund and recoups the costs incurred from the Fund. The basis for recouping costs comprises full apportionment of costs which are directly related to the Fund and partial apportionment of costs incurred by the Authority as set out in Note 13 of the financial statements. Separate financial statements are prepared by the Authority for the Fund on an annual basis.

Retirement Benefits

In accordance with Section 28 of the Health Insurance Act, 1994, the Authority may, with the consent of the Minister for Health and the Minister for Public Expenditure and Reform, make a scheme for the granting of superannuation benefits to staff members of the Authority. The Authority Employee Superannuation Scheme (SI 637 of 2016) (“the Scheme”) was signed 21 December 2016 in which the Rules set out in the Schedule to the Rules for Pre-existing Public Service Pension Scheme Members Regulations 2014 (S.I. No. 582 of 2014) are adopted as a Scheme for the granting of superannuation benefits to or in respect of members of the staff, including the Registrar, of the Authority, as appropriate. The Authority is making the necessary deductions from salaries which are retained by the Authority, but are not recognised as income. The Authority is also providing for employer contributions to the Scheme. The Authority is in discussion with the Department of Health in regard to the Authority’s pension funding mechanism. The Scheme is a defined benefit superannuation scheme for employees. Pending the outcome of these discussions pension payments under the scheme are met from the accumulated pension provision. By direction of the Minister for Health, no provision has been made in respect of benefits payable in future years. See Note 10 for further details.

New Entrant staff employed by the Authority after 1 January 2013 are members of the Single Public Service Pension Scheme in accordance with Public Service Pensions (Single Scheme and Other Provisions) Act 2012. The Authority makes the necessary deductions from salaries for staff who are part of the scheme. Employee and employer contributions are transferred to the Department of Public Expenditure and Reform on a monthly basis in accordance with the Public Service Pensions (Single Scheme and Other Provisions) Act 2012.

The pension liability for the employee superannuation scheme at 31 December 2020 is €3,500,000. The pension liability for these schemes is not reflected in these financial statements.

2. Income

Section 17 of the Health Insurance Act, 1994 provides for the payment of an income levy by registered undertakings to the Authority every quarter in order to fund the operations of the Authority and make adequate provision for contingencies. Statutory Instrument 528/2014, Health Insurance Act 1994 (Section 17) Levy Regulations 2014 amended the income levy to its current rate of 0.09% which applied in 2019 and 2020.

	2020	2019
	€	€
Income Levy	2,246,172	2,310,391
Recharged Risk Equalisation Fund costs (Note 13)	293,463	211,905
Legal costs recovered	184,929	-
Lease Renunciation (Note 9)	-	250,000
	2,724,564	2,772,296

3. Administration Costs

	2020	2019
	€	€
Salaries, pension cost and other staff costs (Note 4)	924,470	675,937
Training costs	13,826	39,609
Directors' Fees (Note 4)	38,904	25,782
Rent, Service Charges and Maintenance	256,200	126,022
Consultancy (Note 5)	655,521	682,416
Insurance	22,970	20,780
Computer and Stationery Costs	32,853	27,327
Other Administration Costs	62,856	59,458
Consumer Information	522,574	657,927
Audit	12,100	11,000
Depreciation	147,562	84,870
	2,689,836	2,411,128

Administration expenses of €293,463 (2019: €211,905) in respect of the Risk Equalisation Fund are recouped from the Fund and treated as income (see Note 13).

4. Remuneration

The objective of the disclosure is to provide information on remuneration in State bodies, in terms of the total expenditure incurred by the State body and remuneration arrangements of key staff including the CE/R and other key management. Employee benefits, as defined by Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102"), includes salaries and pension costs, termination benefits, post-employment benefits, other long-term benefits and share based payment transactions.

Directors Fees

Fees payable to individual board members for 2020 Sheelagh Malin (Chairperson) €8,979 (2019: €8,978), Ian Britchfield €Nil (2019: €2,857), Michael A. O'Sullivan €5,985 (2019: €3,153), Damien McShane €5,985 (2019: €2,946), Caroline Barlow €5,985 (2019: €3,153), John Armstrong €5,985 (2019: €1,749) and Marcella Flood €5,985 (2019: €2,946).

Expenses paid to individual board members for 2020 were Michael A. O'Sullivan €868 and Caroline Barlow €79.

Employee Remuneration

Under FRS102 key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

a) Aggregate Employee Benefits

	2020 €	2019 €
Salaries	725,862	574,976
Employers contribution to social welfare	62,791	34,653
Employer Pension cost (Note 10)	68,727	14,062
Employer SPSPS (DPER)	66,048	35,112
Agency staff	1,042	17,134
Total	924,470	675,937

In addition in 2020: €20,254 (2019: €24,284 pension related deduction) was deducted from staff by way of additional superannuation contributions and was paid over to the Department of Health.

The total number of staff employed (WTE) at year end of 31 December 2020 was 11 (2019: 11).

(b) Staff Salaries, Pension & Short-Term Benefits

	2020 €	2019 €
Basic pay	725,862	574,976
Overtime	-	-
Allowances	-	-
Total	725,862	574,976

(c) Key Management Personnel

Key management personnel in the Authority consists of Members of the Authority, the CE/R, the Head of Finance, the Head of Corporate Affairs, the Head of Regulatory Affairs and the Head of Research. The total value of employee benefits for key management personnel is set out below:

	2020 €	2019 €
Salary	539,906	407,481
Allowances	-	-
Termination benefits	-	-
Health Insurance	-	-
Total	539,906	407,481

This does not include the value of retirement benefits earned in the period. The key management personnel are members of the Health Insurance Authority pension scheme or the Single Public Service Pension Scheme and their entitlements in that regard do not extend beyond the terms of the model public service pension scheme or the Single Public Service Pension Scheme.

(d) Chief Executive/Registrar Salary and Benefits

The CE/R remuneration package for the financial period was as follows:

	2020 €	2019 €
Outgoing CE/R 01/01/2020 - 07/12/2020	119,698	105,609
Incoming CE/R 08/12/2020 – 31/12/2020	5,397	-
Total	125,095	105,609

The CE/R received travel and subsistence for 2020 of €Nil (2019: €36).

The incoming CE/R is a member of the Employee Superannuation Scheme, and her entitlements in that regard do not extend beyond the terms of that scheme. The value of retirement benefits earned in the period is not included above.

The outgoing CE/R is a member of the Single Public Service Pension Scheme, and his entitlements in that regard do not extend beyond the terms of that scheme. The value of retirement benefits earned in the period is not included above.

Neither CE/R received any perquisites or benefits in 2020.

5. Consultancy Costs

	2020 €	2019 €
Accountancy and Internal Audit	112,300	48,010
Actuarial Services	126,090	171,292
Legal Services	143,072	199,712
Communications	50,496	44,317
Research	53,557	81,016
Recruitment	41,002	36,393
Relocation Costs	63,486	43,513
Superannuation	2,809	2,263
Translation Services	2,349	3,860
Economic consultancy	60,360	52,040
	655,521	682,416

6. Tangible Fixed Assets

	Computer Equipment €	Office Fitting, Furniture & Equipment €	Website Development €	Office Fit Out €	Total €
Cost					
At 31 December 2019	69,198	327,548	333,442	51,383	781,571
Additions during year	42,456	114,722	-	418,514	575,692
Disposals during year	(23,263)	(320,621)	-	(50,848)	(394,732)
At 31 December 2020	88,391	121,649	333,442	419,049	962,531
Depreciation					
At 31 December 2019	56,722	326,124	209,371	51,383	643,600
Charge for year	13,561	9,927	77,031	47,043	147,562
Depreciation on disposals	(23,263)	(320,068)	-	(50,848)	(394,179)
At 31 December 2020	47,020	15,983	286,402	47,578	396,983
Net Book Value					
At 31 December 2020	41,371	105,666	47,040	371,471	565,548
At 31 December 2019	12,476	1,424	124,071	-	137,971
<i>In respect of prior year</i>					
Cost					
At 31 December 2018	73,624	328,090	333,442	51,383	786,539
Additions during year	11,556	1,050	-	-	12,606
Disposals during year	(15,982)	(1,592)	-	-	(17,574)
At 31 December 2019	69,198	327,548	333,442	51,383	781,571
Depreciation					
At 31 December 2018	66,072	326,984	132,340	50,908	576,304
Charge for year	6,632	732	77,031	475	84,870
Depreciation on disposals	(15,982)	(1,592)	-	-	(17,574)
At 31 December 2019	56,722	326,124	209,371	51,383	643,600
Net Book Value					
At 31 December 2019	12,476	1,424	124,071	-	137,971
At 31 December 2018	7,552	1,106	201,102	475	210,235

7. Prepayments and Other Debtors

	2020	2019
	€	€
Accrued Income	632,379	608,284
Accrued Interest	966	367
Prepayments and Other Debtors	28,897	40,392
Travel Cards / Bike to Work	591	2,673
Risk Equalisation Fund	354,815	247,142
Other Debtors	207,452	-
	1,225,100	898,858

8. Creditors (amounts falling due within one year)

	2020	2019
	€	€
Trade creditors and accruals	650,099	666,143
Pensions provision (Note 10)	2,279,899	2,208,778
Pension levy	(22)	4,174
Single Public Service Pension Scheme	8,904	11,348
PAYE/PRSI	13,414	8,199
Professional Services Withholding Tax	11,194	5,337
Value Added Taxation	298	2,605
Other Creditors	22,312	-
	2,986,098	2,906,584

9. Commitments under Operating Leases

The Health Insurance Authority rents offices at Beaux Lane House, Lower Mercer Street, Dublin 2 at a cost of €219,655 for the property and €8,920 for two car parking spaces. The Authority entered into a 10 year lease for the offices in October 2019.

At the year end, the Authority has the following annual commitments that fall due as follows:

	2020	2019
	€	€
within 1 year	228,575	228,575
Later than one year but within 5 years	914,300	914,300
Later than 5 years	876,204	1,104,779
	2,019,079	2,247,654

The Health Insurance Authority previously rented offices at Canal House, Canal Road, Dublin 6 at a cost of €50,000 per annum. The Authority entered into a 10 year lease for the offices in May 2012. The Authority agreed to renunciate the lease early and left the premises in May 2020. A sum of €250,000 was returned to The Authority. A sum of €250,000 was returned to the Authority in 2019.

At the year end, the Authority has the following annual commitments that fall due as follows:

	2020	2019
	€	€
within 1 year	-	18,750
Later than one year but within 5 years	-	-
Later than 5 years	-	-
	-	18,750

10. Pensions Provision

The Authority operates two pension schemes; the Employee Superannuation Scheme (for pre-2013 employees) and the Single Public Service Pension Scheme. All new employees to the Authority, who are new entrants to the Public Sector, on or after 1 January 2013 are members of the Single Scheme.

(a) Employee Superannuation Scheme

The Authority Employees Superannuation Scheme (SI 637 of 2016) (“the Scheme”) was signed 21 December 2016 in which the Rules set out in the schedule to the Rules for Pre-existing Public Service Pension Scheme Members Regulations 2014 (S.I No 582 of 2014) are adopted as a Scheme for the granting of superannuation benefits to or in respect of members of the staff, including the Registrar, of the Authority, as appropriate.

Employer contributions are at a rate of 25% of pensionable pay and are charged to the Statement of Income and Expenditure and Retained Revenue Reserves. The accumulated contributions are held for the account of the Minister for Health.

Benefit entitlements of employees will be a function of their service with the Authority and of their previous service in the civil or public service, where appropriate. The Authority is not funded in respect of such benefit entitlements. By direction of the Minister for Health, no provision has been made in respect of benefits payable in future years.

(b) Single Public Service Pension Scheme

New Entrant staff employed by the Authority after 1 January 2013 are members of the Single Public Service Pension Scheme in accordance with Public Service Pensions (Single Scheme and Other Provisions) Act 2012. The Authority makes the necessary deductions from salaries for staff who are part of the scheme. Employee and employer contributions are transferred to the Department of Public Expenditure and Reform on a monthly basis in accordance with the Public Service Pensions (Single Scheme and Other Provisions) Act 2012.

The accumulated pension provision at year end is as follows:

	2020	2019
	€	€
At beginning of period	2,208,778	2,230,767
Employee Contributions (deducted from salaries)	14,184	16,836
Employer Contributions (Note 3)	68,727	84,988
Adjustment to Contributions	-	(70,925)
Pensions Paid	(11,790)	(52,888)
Total	2,279,899	2,208,778

Due to a classification of Single Public Service Pension Scheme employer contributions as superannuation employer contributions over the period 2014 to 2018, there has been an overprovision of employer pension contributions. This has resulted in an overstatement of the pension provision by €70,925 for the period. This has been addressed in the 2019 financial statements.

In 2020: €22,015 (2019: €11,669) was deducted from staff in respect of the Single Public Service Pension Scheme and transferred to the Department of Public Expenditure and Reform. €66,048 (2019: €35,111) in employer contributions were also remitted to DPER.

The pension liability for the employee superannuation scheme at 31 December 2020 is €3,500,000. The pension liability for these schemes is not reflected in these financial statements.

11. Capital Commitments

There were no commitments for capital expenditure at 31 December 2020.

12. Related Party Disclosure

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

13. Risk Equalisation Fund

The Health Insurance (Amendment) Act 2012 provides for the establishment of the Risk Equalisation Fund (the Fund) from 1 January 2013. Stamp Duty payments for policies commencing or renewing on or after 1 January 2013 are paid by insurers to the Revenue Commissioners who in turn transfer the money to the Fund. Risk Equalisation Credits are paid, on behalf of consumers, out of the Fund to the health insurance undertakings by the Health Insurance Authority. Separate financial statements are prepared in respect of the Fund on an annual basis. The Authority is responsible for administering and maintaining the Fund.

There are no employees directly employed by the Fund. Total costs of €293,463 (2019: €211,905) in respect of the Fund were charged by the Authority for 2020 as follows:

Type of cost	Total recharged to Fund	
	2020 €	2019 €
Salary and staff costs	190,294	137,549
Rent, service charges and maintenance	54,326	27,889
Computer and stationery costs	5,111	4,837
Other administrative costs	43,732	41,630
Other consultancy costs	-	-
	293,463	211,905

14. Approval of Financial Statements

The Financial Statements were approved by the Authority on June 25, 2021.

9.2 The Risk Equalisation Fund Report and Financial Statements for the year 1 January 2020 to 31 December 2020

To the Minister for Health

In accordance with the terms of the Health Insurance Act 1994 (as amended), The Health Insurance Authority presents the Financial Statements of the Risk Equalisation Fund for the 12 month period ended 31 December 2020.

The Risk Equalisation Fund ("the Fund") Report and Financial Statements

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The Risk Equalisation Fund

Statement of Responsibilities

Section 11D(8) of the Health Insurance Act of 1994 (as amended) (the ‘Act’) requires the Health Insurance Authority (the “Authority”) to prepare financial statements in respect of the Risk Equalisation Fund (the “Fund”). In preparing those financial statements, the Authority is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reason for any material departure from those standards; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The Authority is responsible for keeping adequate accounting records which correctly explain and record the transactions of the Fund, enable at any time the assets, liabilities and financial position of the Fund to be determined with reasonable accuracy and enable it to ensure that the financial statements comply with Section 11D(8) of the Act. The Authority is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Sheelagh Malin
Chairperson



Michael A. O'Sullivan
Member

June 28, 2021

Date



Ard Reachtaire Cuntas agus Ciste **Comptroller and Auditor General**

Report for presentation to the Houses of the Oireachtas **Risk Equalisation Fund**

Opinion on the financial statements

I have audited the financial statements of the Risk Equalisation Fund prepared by the Health Insurance Authority for the year ended 31 December 2020 as required under the provisions of section 11D (9) of the Health Insurance Act 1994 (as amended). The financial statements comprise

- the statement of income and expenditure and retained revenue reserves
- the statement of financial position
- the statement of cash flows, and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Fund at 31 December 2020 and of its income and expenditure for 2020 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Health Insurance Authority and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Health Insurance Authority has presented the financial statements together with certain information in relation to the operation of the Fund. This comprises the Authority's annual report, the governance statement and Authority members' report, and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy
Comptroller and Auditor General

30 June 2021

Appendix to the report

Responsibilities of the Health Insurance Authority

As detailed in the statement of responsibilities for the Fund, the Authority members are responsible for

- the preparation of financial statements in the form prescribed under section 11 D (8) of the Act
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 11 D (9) of the Act to audit the financial statements of the Fund and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.

- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.


I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

The Risk Equalisation Fund

Statement of Income and Expenditure and Retained Revenue Reserves for the year ended 31 December 2020

	Notes	12 months ended 31 December 2020 €'000	12 months ended 31 December 2019 €'000
Income			
Stamp duty	2	770,799	752,328
Expenditure			
Risk equalisation premium credit	3	629,393	602,959
Hospital utilisation credit	4	102,725	140,254
Staff and other costs	5	393	271
Total expenditure		732,511	743,484
Excess of income over expenditure		38,288	8,844
Surplus for the year		38,288	8,844
Retained revenue reserves at beginning of year		47,810	38,966
Retained revenue reserves at end of year		86,098	47,810



Sheelagh Malin
Chairperson



Michael A. O'Sullivan
Member

June 28, 2021

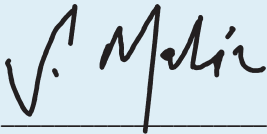
Date

Notes 1 to 12 form part of these Financial Statements

The Risk Equalisation Fund

Statement of Financial Position at 31 December 2020

	Notes	2020 €'000	2019 €'000
Current Assets			
Short term deposits	6	324,003	291,138
Cash and cash equivalents		16	40
Prepayments and other debtors	7	231,975	220,489
		555,994	511,667
Creditors (amounts falling due within one year)			
Creditors and accruals	8	(430,712)	(416,796)
Hospital utilisation credit provision	9	(39,184)	(47,061)
		(469,896)	(463,857)
Net assets		86,098	47,810
Representing			
Retained revenue reserves		86,098	47,810



Sheelagh Malin
Chairperson



Michael A. O'Sullivan
Member

June 28, 2021

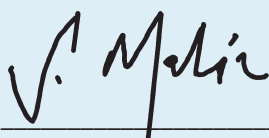
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Notes 1 to 12 form part of these Financial Statements.

The Risk Equalisation Fund

Statement of Cash Flows for the year ended 31 December 2020

	Notes	2020 €'000	2019 €'000
Reconciliation of operating surplus to net cash inflow from operating activities			
Operating excess of income over expenditure for year		38,288	8,844
(Increase) in debtors	7	(11,486)	(5,325)
Increase in creditors	8 & 9	6,039	16,903
Net cash inflow from operating activities		32,841	20,422
Cash inflow from investing activities			
Bank interest received		-	-
Net cash inflow from investing activities		-	-
Increase in cash and cash equivalents		32,841	20,422
Cash and cash equivalents at 1 January		291,178	270,756
Cash and cash equivalents at 31 December		324,019	291,178
Increase in cash and cash equivalents		32,841	20,422



Sheelagh Malin
Chairperson



Michael A. O'Sullivan
Member

June 28, 2021

Date

Notes 1 to 12 form part of these Financial Statements.

The Risk Equalisation Fund

Notes (forming part of the financial statements)

1. Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Basis of Preparation

The financial statements have been prepared in compliance with Financial Reporting Standard 102 “The Financial Reporting Standard Applicable in the UK and Republic of Ireland” (“FRS 102”). The financial statements have been prepared on the accruals basis of accounting in accordance with generally accepted accounting principles and under the historical cost convention.

The financial statements of the Fund are presented in Euro (“€’000”) which is also the functional currency of the Fund.

General Information

The Health Insurance Act 1994, as amended by the Health Insurance (Amendment) Act 2012, provided for risk equalisation whereby registered undertakings receive credits in relation to certain classes of insured persons so that they do not collect a premium payable in respect of provision of health insurance to the individual. The 2012 Act also provided for the establishment of the Fund.

The Authority is responsible for the establishment, administration and maintenance of the Fund. The Members of the Authority are responsible for the production and approval of financial statements for the Fund. The Authority is responsible for the authorisation and approval of all Fund transactions. Details of the Authority’s governance and control systems and procedures are set out in the Statement on Internal Control and Governance Statement disclosed in the Authority’s financial statements.

The Act provided that all stamp duty paid by virtue of Section 125A of the Stamp Duties Consolidation Act 1999 in respect of health insurance contracts commencing on or after 1 January 2013 be paid into the Fund.

Payments out of the Fund include:

- Risk equalisation premium credit – the level of risk that a particular consumer poses to a registered undertaking does not affect the premium paid. All insured individuals are charged the same premium for a particular plan, irrespective of age, gender and the current or likely future state of their health subject to exceptions in respect of children under 18 years of age, discounts for members in group schemes, young adults and lifetime community rating loadings. The Fund provides that registered undertakings receive higher premiums in respect of insuring older, and generally less healthy people, with the higher amount paid by way of a risk equalisation premium credit from the Fund. The level of risk equalisation credits payable from the Fund in respect of premiums vary on the basis of age, gender and level of cover.
- Hospital utilisation credit – a specified amount is payable from the Fund for each stay an insured person spends in private hospital accommodation or in a publicly funded hospital where a charge is payable under Section 55 of the Health Insurance Act 1970 for such a stay.

The Risk Equalisation Scheme was due to be renewed in 2020. Due to the Covid-19 pandemic and its potential to impact the private health insurance market the Department of Health decided to extend the existing scheme until 31 March 2022. The European Commission confirmed in December 2020 that they had no objections to the prolongation of the Risk Equalisation Scheme to 31 March 2022.

Accounting Period

The financial statements are for the year from 1 January 2020 to 31 December 2020.

Income

Stamp Duty income is recognised in the financial statements over the term of the relevant insurance contract, assumed to be twelve months in all cases. Stamp duty on policies commencing on or after 1 January 2013 is paid by registered undertakings to the Revenue Commissioners on a quarterly basis. The stamp duty is then paid into the Fund. The receipts of the Fund in the financial year are adjusted to take account of:

- Accrued stamp duty which represents outstanding stamp duty due to the Fund at the year end and represent amounts payable by registered undertakings in relation to the last quarter of the financial year. This amount due is recorded as a debtor to the Fund.
- Un-earned stamp duty represents the estimated proportion of stamp duty paid into the Fund during the financial year and accrued at year end which relates to the unexpired term of the relevant insurance contracts at the reporting date. This amount is recorded as un-earned stamp duty at the reporting date (see Note 8 – Creditors and Accruals).

Expenditure Recognition

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

Risk Equalisation Premium Credit

Risk equalisation premium credit is accounted for on an accruals basis. Registered undertakings claim risk equalisation premium credit from the Fund on a monthly basis. In determining the amount to be recognised as an expense in the financial year, the payments made from the Fund are adjusted to take account of:

- Amounts claimed and payable to registered undertakings which have not been paid at the reporting date.
- Un-expensed risk equalisation premium credit – a majority of individuals pay insurance policies either by monthly instalments or annually in advance. Credits claimed in relation to monthly instalments are expensed in the month to which the claim relates. Credits claimed for policies paid annually in advance are expensed uniformly over the twelve months of the contract. At the reporting date any amounts paid to registered undertakings which have not been expensed are recognised as a debtor (See Note 7 – Prepayments and Other Debtors).

Critical Accounting Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The following judgements have had the most significant effect on the amounts recognised in the financial statements.

The level of reserves in respect of future claims included in the financial statements should at least be as strong as a best estimate and should at all times be sufficient to cover any liabilities arising in respect of hospital episodes yet to be claimed as far as can reasonably be foreseen. The hospital utilisation credit provision is calculated based on independent actuarial advice using a number of generally accepted actuarial techniques to arrive at the central estimate and a range of reasonable estimates. The provision recorded in the financial statements is at least as strong as a best estimate derived using generally accepted actuarial methods plus a margin for uncertainty of 10%. The margin for uncertainty of 10% has been informed by the level of uncertainty in the provision and the uncertainties in the claim environment.

Hospital Utilisation Credit

The hospital utilisation credit is accounted for on an accruals basis. In determining the amount to be recognised as an expense in the financial year, the payments made from the Fund are adjusted to take account of:

- Amounts claimed by and payable to registered undertakings which have not been paid at the reporting date.
- A provision for hospital utilisation credit arising in respect of hospital episodes which had occurred in the financial year but had not been claimed by registered undertakings at year end. The provision assumes that the number of nights and days in private hospital accommodation is uniform across contracts commencing on different dates and that hospitalisation occurs uniformly throughout the policy period. The settlement period for hospital claims can vary considerably. This may result in registered undertakings making a claim for a hospital utilisation credit a year or more after a hospital episode.
- An adjustment in respect of any under or over provision for unclaimed credits in respect of prior financial years that remains outstanding at the reporting date.

2. Income

Stamp duty payments for policies commencing or renewing on or after 1 January 2013 are paid by registered undertakings to the Revenue Commissioners who in turn transfer the money to the Fund.

	2020 €000	2019 €000
Stamp duty paid into the Fund	773,824	757,721
Stamp duty receivable movement in year	9,332	4,430
Un-earned stamp duty movement in year	(12,357)	(9,823)
	770,799	752,328

3. Risk Equalisation Premium Credit

	2020 €000	2019 €000
Payments made to registered undertakings	626,893	602,816
Risk equalisation premium credit payable to registered undertakings movement in year	4,654	1,038
Un-expensed risk equalisation premium credit movement in year	(2,154)	(895)
	629,393	602,959

4. Hospital Utilisation Credit

	2020 €000	2019 €000
Payments made to registered undertakings	113,805	134,226
Hospital utilisation credit payable to registered undertakings movement in year	(3,203)	2,187
Hospital utilisation credit provision movement in year	(7,877)	3,841
	102,725	140,254

The reduction in the hospital utilisation credit in the current reporting period can be considered to be attributable to Covid-19, primarily due to the nationalisation of the Private Hospitals from April - June 2020 and the cancellation of non-essential surgical procedures in both private and public hospital settings.

5. Staff and Other Costs

	2020 €'000	2019 €'000
Health Insurance Authority recharged costs:		
Salaries and staff costs	180	126
Training costs	2	7
Directors Fees	7	4
Rent, service charge and maintenance	52	22
Insurance	5	6
Computer and stationery	5	5
Other administration costs	15	26
Depreciation	27	15
	293	211
Costs directly charged to the Fund:		
Audit	9	9
Accountancy	15	6
Actuarial	36	19
Insurance	2	2
	62	36
Costs directly incurred by the Fund:		
Bank charges	38	24
	393	271

6. Short Term Deposits

Short term deposits comprise investments in exchequer notes issued by the National Treasury Management Agency. Exchequer notes are short term interest bearing notes. Excess income, capital or other benefit received that is not immediately required for the purposes of the Fund may be invested in exchequer notes. In the current low interest rate environment there was no interest earned on the Exchequer Notes for the period (2019: €0.00).

7. Prepayments and Other Debtors

	2020 €000	2019 €000
Un-expensed risk equalisation premium credit	58,503	56,349
Accrued stamp duty receivable	173,472	164,140
	231,975	220,489

8. Creditors and Accruals

	2020 €000	2019 €000
Stamp duty un-earned	308,517	296,160
Risk equalisation premium credit payable	101,905	97,252
Hospital utilisation credit payable	19,935	23,138
Health Insurance Authority	355	246
	430,712	416,796

9. Hospital Utilisation Credit Provision

	2020 €000	2019 €000
At start of year	47,061	43,220
Arising during the year	102,725	140,254
Utilised during the year	(110,602)	(136,413)
At end of year	39,184	47,061

10. Financial Position of the Risk Equalisation Fund

As per the Statement of Income and Expenditure and Retained Revenue Reserves, the retained reserves were €86.09m (2019: €47.81m). Any surplus or deficit arising in respect of past and current contract periods is taken into account when making recommendations to the Minister on risk equalisation credits and stamp duty.

At 31 December 2020, the Fund held cash and cash equivalents of €324m (2019: €291m).

11. Disclosure of Interests

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

12. Approval of Financial Statements

The Financial Statements were approved by the Authority on June 25, 2021

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Appendices



Appendix A - Statistics Relating to the Private Health Insurance Market in Ireland, 2020

Table 1: Insured Persons ^{5 6}

Year Ended	Total Insured Persons (000s)	Private Health Insurance Coverage as % of Population
Dec-01	1,871	48.20%
Dec-02	1,941	49.20%
Dec-03	1,999	49.80%
Dec-04	2,054	50.20%
Dec-05	2,115	50.40%
Dec-06	2,174	50.30%
Dec-07	2,245	50.50%
Dec-08	2,297	50.90%
Dec-09	2,260	49.70%
Dec-10	2,228	48.80%
Dec-11	2,163	47.20%
Dec-12	2,099	45.60%
Dec-13	2,049	44.30%
Dec-14	2,025	43.40%
Dec-15	2,122	45.00%
Dec-16	2,152	45.20%
Dec-17	2,174	45.10%
Dec-18	2,220	45.50%
Dec-19	2,276	46.00%
Dec-20	2,312	46.20%

Table 2: Premium Income

Year	Total Income (€m)	Year	Total Income ‡ (€m)
2002	821.9	2010	1,949.1
2003	978.2	2011	2,061.4
2004	1,061.1	2012	2,240.7
2005	1,152.7	2013	2,388.5
2006	1,299.5	2014	2,444.9
2007	1,477.8	2015	2,462.4
2008	1,652.2	2016	2,528.0
2009	1,846.7	2017	2,655.0
		2018	2,678.4
		2019	2,716.5
		2020	2,638.5*

‡ includes HSF from 2011 when they were first registered with the Authority

*substantial refunds were paid to customers in 2020 due to the impact of Covid-19 on private hospital treatment capacity.

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

6. Population data is sourced from Central Statistics Office annual population estimates, which were revised for the years 2012 to 2016 in September 2017.

Table 3: Market Shares+

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

December	Irish Life Health*† %	Laya Healthcare** %	Vhi Healthcare %	GloHealth† %	Restricted Membership Undertakings*** %
2001	–	13%	82%	–	5%
2002	–	15%	80%	–	5%
2003	–	17%	78%	–	5%
2004	–	19%	76%	–	5%
2005	1%	21%	74%	–	4%
2006	3%	21%	72%	–	4%
2007	5%	21%	70%	–	4%
2008	8%	22%	67%	–	4%
2009	10%	23%	63%	–	4%
2010	14%	21%	62%	–	4%
2011	18%	21%	57%	–	4%
2012	17%	22%	56%	1%	4%
2013	15%	23%	54%	4%	4%
2014	15%	23%	53%	5%	4%
2015	14%	26%	51%	5%	4%
2016	14%	26%	50%	6%	4%
2017	20%	26%	50%	-	4%
2018	20%	26%	50%		4%
2019	20%	26%	50%		4%
2020	20%	27%	49%		4%

+ Numbers insured with in-patient cover

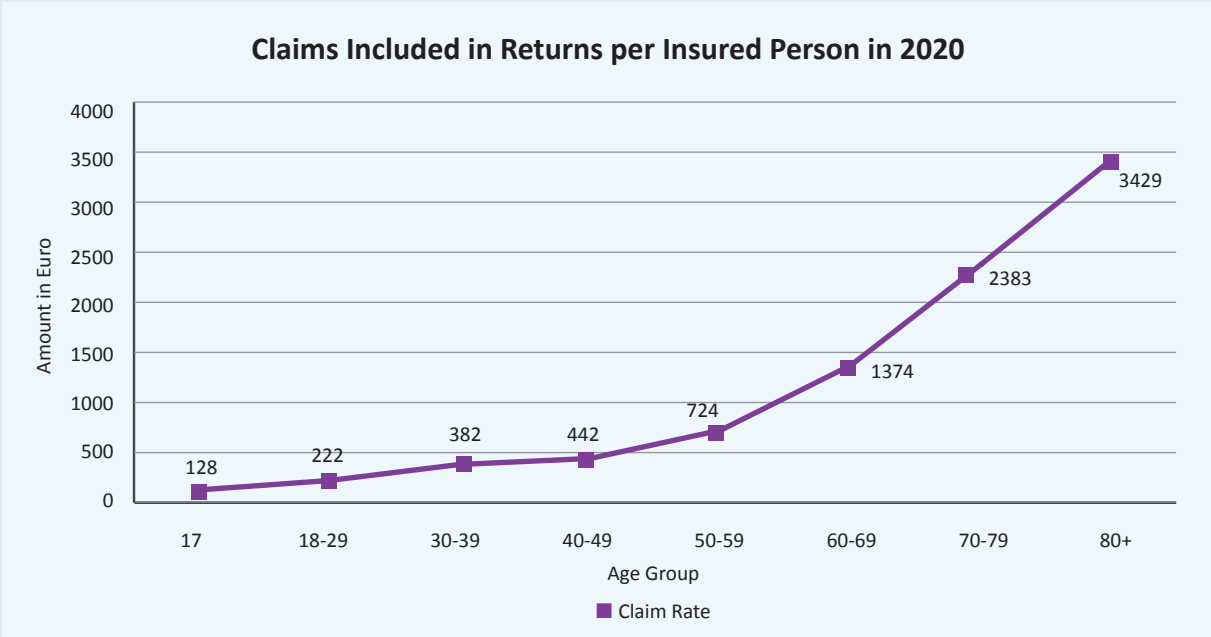
* In respect of 2015 and earlier years the data relates to Aviva Health. Before 2008, it was VIVAS Health.

** In respect of 2012, the data is a sum of the market shares of Quinn Insurance Ltd (Under Administration) and Elips Insurance Ltd. Previous years relate to Quinn Healthcare or BUPA Ireland (2006 and earlier).

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

*† Irish Life Health acquired GloHealth in 2017. Aviva Health was acquired by Irish Life in 2016.

Appendix B - Claim Variation by Age



Appendix C - Age Structure of Market

The following table shows how the age structure of the market has changed since the end of 2017. The tables in this section are based on information returns received from Open Membership Undertakings. The data in these returns differs from data included in earlier tables in that it excludes people who are serving initial waiting periods, people who are insured with Restricted Membership Undertakings and people who are insured with products that are not subject to the health insurance stamp duty and the age-related health credits.

Numbers insured in 000s

Age Group	2017	2018	2019	2020
0-17	481	494	504	505
18-29	221	234	248	260
30-39	285	287	289	287
40-49	328	337	346	352
50-59	286	290	296	300
60-69	236	240	245	249
70-79	149	157	165	171
80+	63	67	72	76

The following table shows how market shares varied with age at the end of 2020. The table below refers to Open Membership Undertakings only and excludes the Restricted Membership Undertakings.

Age Group	Irish Life Health %	Laya Healthcare %	Vhi Healthcare %
0-49	23%	28%	49%
50-59	21%	27%	52%
60-69	20%	29%	51%
70-79	15%	28%	58%
80+	9%	17%	74%
Total	21%	28%	51%

Appendix D

The Register of Health Benefits Undertakings as at 31 December 2020

Open Membership Undertakings

1. Irish Life Health DAC (trading as Irish Life Health);
2. Elips Versicherungen AG (Elips Insurances Ltd.) (trading as Laya Healthcare);
3. H.S.F. Health Plan Limited (trading as Hospital Saturday Fund);
4. Vhi Insurance DAC (trading as Vhi Healthcare); and
5. The Voluntary Health Insurance Board.

Restricted Membership Undertakings

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

Appendix E - Risk Equalisation Rates

Rates Applying for Contracts Commencing/Renewing from 1 April 2019 to 31 March 2020

Risk Equalisation Premium Credits

Contract Type	Non-Advanced		Advanced	
	Male	Female	Male	Female
65-69	€400	€275	€1,050	€700
70-74	€650	€475	€1,775	€1,225
75-79	€925	€725	€2,775	€1,900
80-84	€1,050	€925	€3,300	€2,475
85+	€1,350	€1,075	€4,600	€3,100

A hospital bed utilisation credit of €100 is paid in respect of each qualifying night spent in hospital by an insured person. A hospital utilisation credit of €50 is paid in respect of each qualifying day admission to a hospital by an insured person.

Community Rating Stamp Duties

Community Rating Stamp Duties (Contract Type)	Non-Advanced	Advanced
Adult (18 and over)	€177	€444
Child (17 and under)	€59	€148

Rates Applying for Contracts Commencing/Renewing from 1 April 2020 to 31 March 2021

Risk Equalisation Premium Credits

Contract Type	Non-Advanced		Advanced	
	Male	Female	Male	Female
65-69	€350	€225	€1,150	€675
70-74	€575	€425	€1,850	€1,300
75-79	€850	€625	€2,650	€1,950
80-84	€1,075	€775	€3,350	€2,525
85+	€1,225	€925	€4,300	€3,025

A hospital bed utilisation credit of €100 is paid in respect of each qualifying night spent in hospital by an insured person. A hospital utilisation credit of €75 is paid in respect of each qualifying day admission to a hospital by an insured person.

Community Rating Stamp Duties

Community Rating Stamp Duties (Contract Type)	Non-Advanced	Advanced
Adult (18 and over)	€157	€449
Child (17 and under)	€52	€150

Rates Applying for Contracts Commencing/Renewing from 1 April 2021

Risk Equalisation Premium Credits

Contract Type	Non-Advanced		Advanced	
	Male	Female	Male	Female
65-69	€350	€200	€1,025	€550
70-74	€550	€400	€1,675	€1,150
75-79	€825	€625	€2,500	€1,800
80-84	€1,025	€700	€3,150	€2,250
85+	€1,250	€825	€3,750	€2,550

A hospital bed utilisation credit of €125 is paid in respect of each qualifying night spent in hospital by an insured person. A hospital utilisation credit of €75 is paid in respect of each qualifying day admission to a hospital by an insured person.

Community Rating Stamp Duties

Community Rating Stamp Duties (Contract Type)	Non-Advanced	Advanced
Adult (18 and over)	€157	€449
Child (17 and under)	€52	€150

Appendix F - Lifetime Community Rating Statistics

Lifetime Community Rating Loadings Paid

Year	Number of Lives	Loadings paid
2017	26,136	€4.5m
2018	38,755	€6.9m
2019	52,653	€9.8m
2020	64,026	€12.7m



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