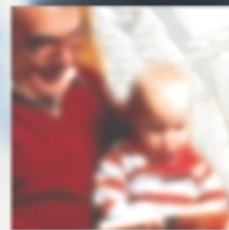
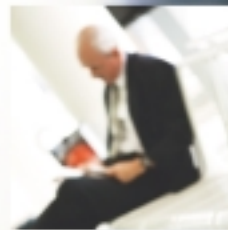
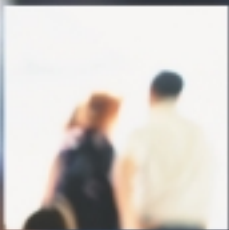




THE HEALTH  
INSURANCE  
AUTHORITY



Annual Report and Accounts **2002**



## Annual Report and Accounts 2002





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## 1. Chairman's Statement

In accordance with Section 33(2) of the Health Insurance Act, 1994, I am pleased to present the Annual Report and Accounts of The Health Insurance Authority ("the Authority") for the year ending 31 December, 2002.

This second annual report outlines in detail the progress that the Authority has made over the past year. During 2002, the Authority was able to recruit specialist staff members who have enhanced its ability to fulfil its roles and responsibilities, particularly in respect of the implementation of Risk Equalisation. It has been a source of disappointment to members of the Authority and its staff that it has not yet proved possible to bring the Risk Equalisation Regulations before the Oireachtas, but the year has been profitably spent in planning for this event, establishing a process for any recommendation and systems to implement it. We have undertaken a number of consultations and studies of other aspects of our official remit. In meeting our ends, it is essential to have a robust system of Corporate Governance, and you will see that important steps have been taken in this direction. These included a Risk Assessment and Internal Audit by external consultants.

### Registered Undertakings

The Authority continues to fulfil its statutory function and responsibilities in relation to the registration of health benefits undertakings providing private health insurance and the maintenance of "The Register of Health Benefits Undertakings". The Authority has provided detailed briefing on the legislative and other features of the market to potential new entrants.

### Risk Equalisation

The Authority is hopeful that the Minister for Health and Children ("the Minister") will introduce Risk Equalisation Regulations in the near future. We look forward, as an independent body of the highest integrity and professionalism, to performing, without fear or favour, our significant role in any decision to commence these payments. As part of our commitment to openness and transparency in all our dealings, we have engaged in an extensive consultation process on how the Authority should perform its functions under the risk equalisation legislation, having regard to the best overall interests of health insurance consumers. Encouraged by the response from stakeholders and consumers, the Authority published its considerations in the *Policy Paper on Risk Equalisation in the Private Health Insurance Market in Ireland*.

### Lifetime Community Rating and Minimum Benefits

During 2002 we undertook a similar consultation process in respect of the important topic of Lifetime Community Rating, addressing a number of topics, including Late Entry Loading. The Authority then made a submission to the Department of Health and Children ("the Department") dealing with these issues. In keeping with our Communications Policy, this may be seen on our website [www.hia.ie](http://www.hia.ie). In the course of 2003, we plan a similar consultation process in relation to compulsory Minimum Benefits paid to consumers by private health insurers.

## Consumer Interests

The Authority is required by the Act to have regard for the interests of the consumers of health insurance. Our research described above has revealed an information gap between consumers and providers. Many consumers, to take one example, were unaware that it was possible to change private health insurer without a waiting period. We have reviewed the material published by the private health insurers, as well as their complaints procedures, and are currently discussing these with the providers. We are also in the process of drafting consumer information literature.

## Research Projects

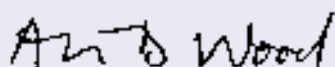
An important factor in the modelling of the evolution of the private health insurance market is the propensity of consumers to switch insurer in response to changes in premium rates and benefits. The Authority sees this as an important input to any policy decision that it might make on the commencement of Risk Equalisation. Yet there is no information on this in the public domain. In late 2002, the Authority commissioned a consumer survey study to analyse attitudes towards switching of provider and to private health insurance generally as part of our role to protect consumer interests. Results have been published on our website. A further survey on the level of competition in the private health insurance market is presently planned. Members and staff have participated in numerous conferences and seminars in the course of 2002: the Chairman made a presentation to the Private Medical Insurance seminar, attended by key senior stakeholders from the industry and the medical professions, at the Michael Smurfit Business School in October.

## Conclusion

I wish to extend my gratitude to all the Members of the Authority for their dedication and work throughout the year. This has been a year of solid achievement and progress. The Authority is confident that it can fulfil an effective independent advisory and regulatory role in the private health insurance market in the coming years.

On behalf of the Authority, I would like to thank the Minister, Mr Micheál Martin and his Department for their support.

The Members of the Authority also wish to thank the Chief Executive/Registrar Mr. Dermot Ryan and his staff for their continued commitment and dedication to the objectives and goals of the Authority throughout the last year.



**Professor Alastair Wood**

Chairman

16 April, 2003



## 2. Membership and Staff of the Authority

### Members of the Authority

The Authority was appointed on 1 February, 2001 and is comprised of a Chairperson and four Members.



**Professor Alastair Wood** (*Chairman*)

*School of Mathematical Sciences, Dublin City University*

Nominated and appointed by Mr. Micheál Martin T.D., Minister for Health and Children following consultation with relevant representative organisations.



**Ms. Mary Doyle** *Project Manager, Bank of Scotland Ireland*

Nominated and appointed by Mr. Micheál Martin T.D., Minister for Health and Children.



**Mr. Tom Greene** *Accountant*

Nominated by the Office of the Director of Consumer Affairs and appointed by Mr Micheál Martin T.D., Minister for Health and Children.



**Ms. Anne Maher** *Chief Executive, The Pensions Board*

Nominated and appointed by Mr. Micheál Martin T.D., Minister for Health and Children.



**Mr. Aidan O'Donnell** *Actuary*

Nominated by the Irish Insurance Federation and appointed by Mr. Micheál Martin T.D., Minister for Health and Children.



## Management

The management team of the Authority is as follows:

### *Chief Executive/Registrar*



**Mr. Dermot Ryan**

### *Management*



**Ms. Imelda Gallagher** *Corporate Affairs Manager/Secretary to the Authority*



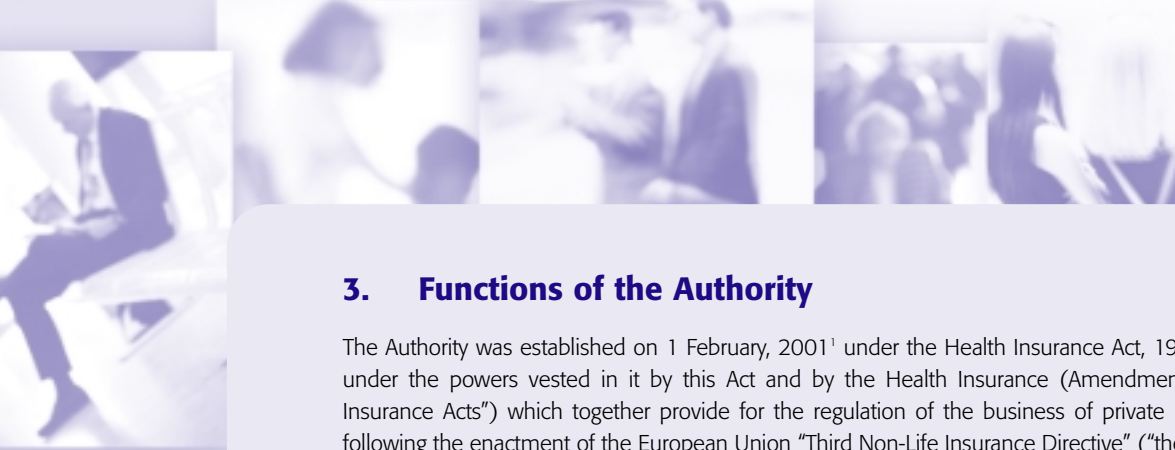
**Mr. Liam Sloyan** *Head of Compliance Services*



**Mr. Brian Turner** *Head of Research/Technical Services*



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Canal Road,  
Dublin 6.  
Tel: (01) 406 0080;  
Fax: (01) 406 0081  
or **info@hia.ie**  
or log on at **www.hia.ie**



### 3. Functions of the Authority

The Authority was established on 1 February, 2001<sup>1</sup> under the Health Insurance Act, 1994. The Authority operates under the powers vested in it by this Act and by the Health Insurance (Amendment) Act, 2001 (“the Health Insurance Acts”) which together provide for the regulation of the business of private health insurance in Ireland following the enactment of the European Union “Third Non-Life Insurance Directive” (“the Directive”).<sup>2</sup> This Directive sets out the requirements for the internal market for Member States regarding non-life insurance, including health insurance and allows individual Member States to adopt the specific requirements in a manner most appropriate to their particular national legal system and national healthcare system.

This Directive was transposed into Irish law through the enactment of the Health Insurance Acts which enshrined the three principles of private health insurance, namely, community rating, open enrolment and lifetime cover in Irish law. There is also an emphasis on the best overall interests of consumers and the operation of competition provided for in the legislation.

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

1. to evaluate and analyse returns made to it under any risk equalisation regulations introduced and to prepare and furnish a report to the Minister in relation to:
  - (a) this evaluation and analysis, and
  - (b) matters concerning the carrying on of health insurance business and developments in relation to health insurance generally that the Authority considers ought to be included in the report as a result of that evaluation and analysis;
2. to carry out its role (described in detail in Section 10) in relation to the Minister’s decision whether or not risk equalisation should be commenced;
3. if risk equalisation is commenced, to manage and administer the process and establish and maintain the risk equalisation fund and also to make an annual report to the Minister evaluating the operation of the scheme for each 12 month period during which any risk equalisation payments are being made;
4. to maintain “The Register of Health Benefits Undertakings”;
5. to advise the Minister (either at his own request or on its own initiative) on matters relating to:
  - (a) his functions under the Health Insurance Acts;
  - (b) the Authority’s own functions; and
  - (c) health insurance generally;
6. to monitor the following:
  - (a) the operation of the Health Insurance Acts;
  - (b) the carrying on of a health insurance business; and
  - (c) health insurance developments generally.

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

The Authority looks forward to fulfilling its role in order that it can provide the fullest possible service to the consumer.

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

2 Council Directive 92/49/EEC of 18 June, 1992 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance and amending Directive 73/239/EEC and 88/357/EEC (third non-life insurance Directive). (OJ L 228, 11.8.1992, p.1).

## 4. Resources

### Staff

The Authority currently has a staff complement of nine. To date, the Authority has not been able to recruit its full complement of staff. The Authority recognises its obligation to provide a professional service to the public and to the industry and the difficulties encountered in getting approval for staff has not assisted in this process.



*Staff of the Authority left to right: Ms. Audrey Cawley (Executive Assistant), Ms. Imelda Gallagher, Ms. Sarah Flinter (Executive Officer), Mr. Brian Turner, Mr. Clayton Love (Intern), Mr. Liam Sloyan, Ms. Niamh McGowan (Statistician) and Mr. Dermot Ryan.*

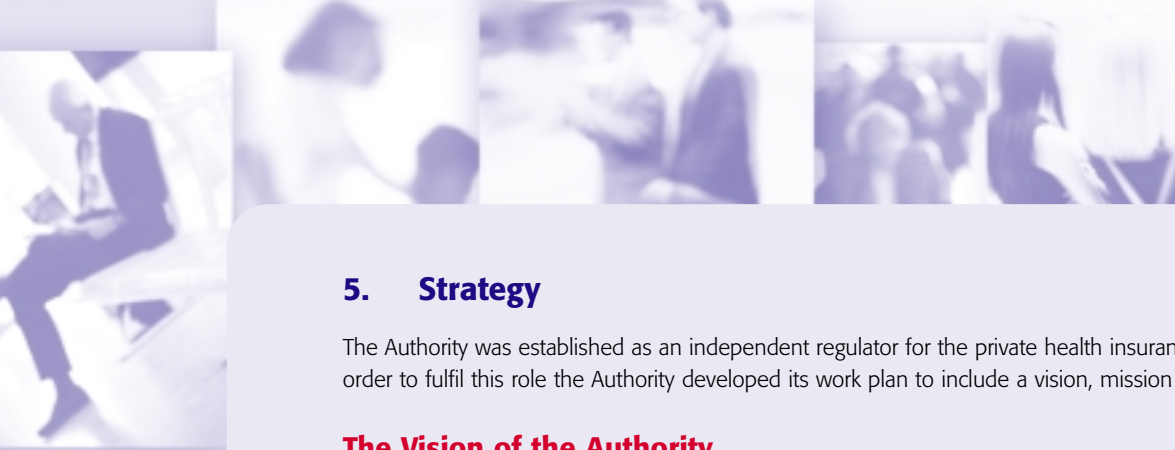
### Funding

In accordance with Section 17 of the Health Insurance Act, 1994, a levy on registered undertakings was introduced by regulation in order to fund the operations of the Authority.<sup>3</sup> (A registered undertaking is the term used for a health insurer that carries on the business of health insurance in Ireland and is included on “The Register of Health Benefits Undertakings”.) The regulations introduced by the Minister set the rate to be paid at 0.14% of premium income payable on a quarterly basis. Registered undertakings are also obliged to submit details of premium income and numbers of insured persons in their scheme. Details of the income and statistics on the health insurance market are detailed in *Appendix A*.

### Appointment of advisers

The Authority engaged a number of consultants during 2002 to assist in its tasks.

<sup>3</sup> The Health Insurance Act, 1994 (Section 17) Levy Regulations, 2001 (S.I. No. 255 of 2001).



## 5. Strategy

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

### The Vision of the Authority

The vision of the Authority is *"To benefit the common good by facilitating a competitive health insurance market whilst preserving community rating, open enrolment and lifetime cover"*.

### The Mission of the Authority

The mission of the Authority is:

*To achieve its vision by:*

- *monitoring and researching health insurance generally*
- *making recommendations on the implementation or otherwise of risk equalisation and managing and administering any risk equalisation scheme*
- *advising the Minister on health insurance generally*
- *implementing other relevant regulations as prescribed*
- *safeguarding the interests of current and future health insurance consumers.*

### The Values of the Authority

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

- *maintain its independence*
- *act always with impartiality and integrity*
- *work in a professional and effective way*
- *meet its unique challenges, it will be receptive to new ideas and suggestions from all sources and be innovative in its approach*
- *maintain transparency in all its work*
- *value its people.*

The Authority acknowledges the importance of its vision, mission and values in maintaining high standards and the quality provision of service.

## 6. The Registration of Health Benefits Undertakings

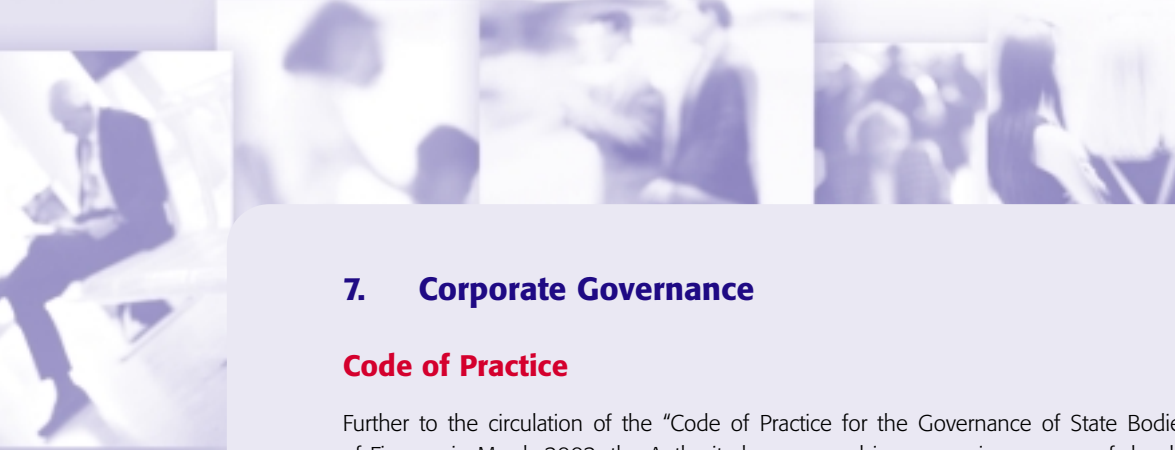
The Authority is responsible for the maintenance of "The Register of Health Benefits Undertakings" ("the Register"). Under Section 14 of the Health Insurance Act, 1994 any health insurer carrying on the business of health insurance in Ireland is required to register with the Authority. This necessitates application to the Authority for inclusion on the Register on an annual basis and the provision of details of any health insurance scheme in operation to the Authority. The scheme is examined to ensure that it is compliant with all relevant legislation. Upon the Authority being satisfied that the scheme is compliant, a certificate is issued confirming that that health insurer may offer private health insurance in accordance with the terms of its rules and with the legislation. There is no fee charged for the issuing of this certificate. Any health insurer which has ceased operating in the previous 12 months must notify the Authority and that health insurer will be removed from the Register.

The Register consists of two types of health insurers. There are the health insurers such as BUPA Ireland and Vhi Healthcare which must accept all consumers who wish to obtain private health insurance. This is subject to certain terms and conditions being fulfilled. The other schemes are mainly vocational schemes, membership of which is restricted to employees of particular organisations. These schemes are also subject to particular terms and conditions.

The Department of Finance changed the rules in relation to tax relief for health insurance claims under Section 470 of the Tax Consolidation Act, 1997 as amended. As a result a number of registered undertaking decided to cease offering private health insurance to their members during 2002 and closed their schemes.

The health insurers entered on the Register at 31 December, 2002 are listed in *Appendix B*.





## **7. Corporate Governance**

### **Code of Practice**

Further to the circulation of the "Code of Practice for the Governance of State Bodies" by the Department of Finance in March 2002, the Authority has engaged in an ongoing process of developing and enforcing all appropriate corporate governance procedures and guidelines.

### **Risk Assessment and Internal Audit**

In furtherance of good governance procedures, the Authority engaged external consultants to carry out a Risk Assessment Analysis and Internal Audit of the Authority.

The Risk Assessment was conducted and incorporated a Workshop where the Members and staff of the Authority agreed key risks facing the Authority. An "Action Plan" was agreed by the Authority to address issues arising and work on these issues is ongoing.

Following the Risk Assessment Analysis, an Internal Audit of the Authority was conducted and the report was reviewed by the Members at their next meeting. The report indicated that the procedures and mechanisms in place by the Authority were appropriate and satisfactory. It is intended to review the position during 2003 to ensure that all procedures continue to operate within the requisite standards.

### **Annual Report and Accounts**

The Authority's Accounts for 2002 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 this Annual Report at Section 19.

The C&AG also issued corporate governance documentation early in 2002 setting out the guidelines and standards for submission of accounts for audit. The Authority has adhered to these guidelines.

### **Freedom of Information**

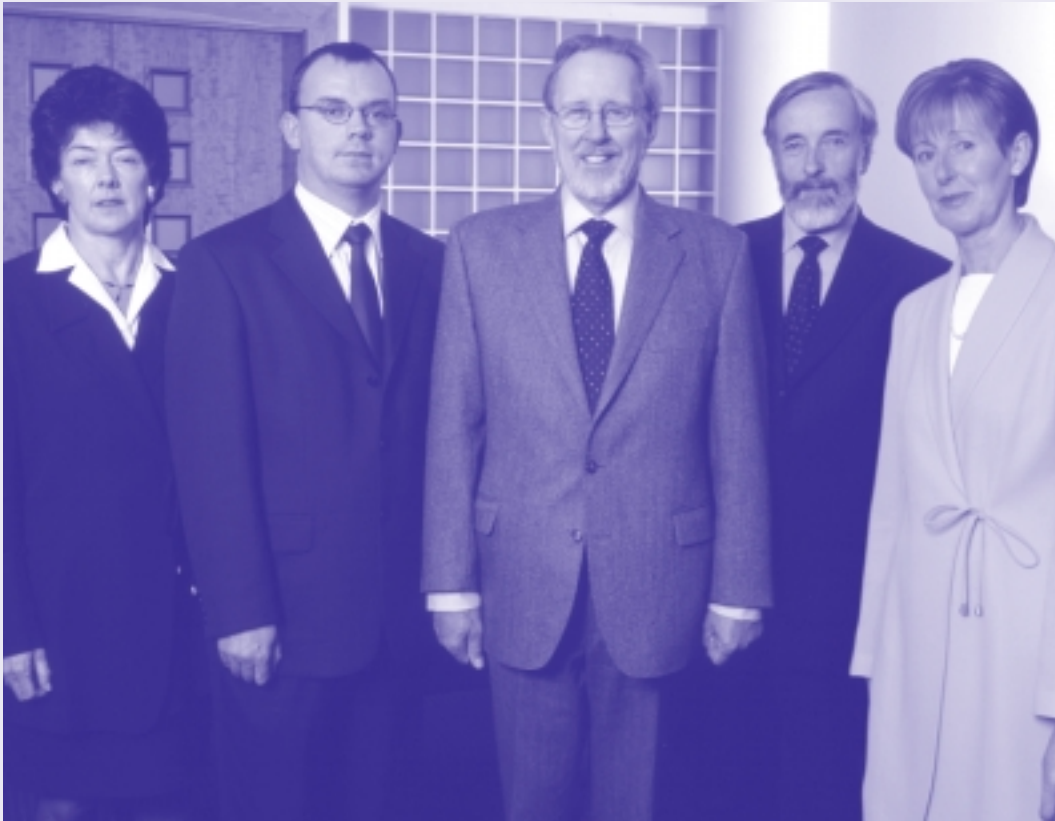
The Authority has been notified that all public bodies are to be subject to the requirements of the Freedom of Information legislation. Accordingly, preparation to comply with all Freedom of Information requirements has been commenced. The Authority has appointed a "Freedom of Information Liaison Officer" who will deal directly with any queries received within the timeframes set out in the legislation. A "Freedom of Information Decision Maker" has also been appointed to oversee the process on an ongoing basis.

It is intended that the Authority will be in a position to be included in the list of public bodies covered by Freedom of Information legislation at the appropriate time. It is anticipated that this will be towards the end of 2003.

## Communications Strategy

One of the objectives of the Authority, since its establishment, has been to make consumers, stakeholders and the general public aware of issues concerning private health insurance in Ireland. As part of this function, the Authority has engaged in a Communications Strategy which included setting out the roles and responsibilities of the Authority under the health insurance legislation and making consumers, health insurance undertakings, professional bodies, stakeholders, industry bodies, legislators and healthcare providers aware of health insurance concepts such as open enrolment, lifetime cover and community rating. The Authority also performs a significant role in relation to risk equalisation which is set out elsewhere in this Annual Report. The Authority has carried out consultation processes in relation to risk equalisation and community rating and staff members have met with a number of individuals and groups who made submissions in relation to these particular issues and these submissions can be viewed on our website at [www.hia.ie](http://www.hia.ie).

The Authority's Communications Strategy has focused on 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. The Authority will continue this policy with an emphasis on the best overall interests of health insurance consumers in accordance with the Health Insurance Acts.



*Members of the Authority left to right: Ms. Mary Doyle, Mr. Aidan O'Donnell, Professor Alastair Wood, Mr. Tom Greene and Ms. Anne Maher.*



## 8. Consumer Interests

The interests of consumers are of paramount importance to the Authority. The Authority assesses the effect of any regulations or new legislation on consumers. The Authority will aim to ensure that consumers are aware of their rights; that policies and publicity material describe cover in a fair and comparable way; that community rating, open enrolment and lifetime cover are protected and maintained and that health insurance providers have appropriate procedures for dealing with customer complaints.

In pursuit of the above aims, the Authority conducted a review of the material published by BUPA Ireland and Vhi Healthcare as well as a review of some processes in the private health insurance market in Ireland.

### Advertising and promotion review

A detailed review of the material published by BUPA Ireland and Vhi Healthcare was conducted by Authority staff. A number of issues were highlighted as a result of the review. The companies were informed of these issues in meetings and in correspondence. Discussions are continuing in order to agree the actions necessary for the resolution of these issues.

The Authority also found that the information provided to consumers could be improved in terms of making insurance products more easily understood and more comparable. As well as the direct benefits that such improvements would have for consumers, the Authority is of the view that these improvements could benefit consumers indirectly by facilitating competition between undertakings. The Authority is currently discussing this matter with insurers.

### Complaints processes

BUPA Ireland's and Vhi Healthcare's complaints processes were reviewed and discussed with the insurers. The Irish Insurance Federation ("IIF") Code of Practice for Life Assurance was used as a benchmark during this review.

Standards in relation to complaints processes are set out in the Third Non-Life Insurance Directive and the contractual provisions relating to such processes are subject to the Unfair Terms in Consumer Contracts Regulations, 1995<sup>4</sup>. The Directive provides that details of complaints processes should be provided to consumers before contracts commence and should not prejudice consumers' rights to take legal proceedings, while the Unfair Terms in Consumer Contracts Regulations also provide that a consumer's right to take legal proceedings may not be prejudiced. While the Authority is aware that Vhi Healthcare is exempted from the Directive, it is of the view that all insurers in the market should comply with such standards and this view has been expressed to insurers.

The Authority is of the view that these issues could be resolved by introducing a code of practice on complaints processes for the health insurance industry. Consumers could then be informed of this code of practice when they are taking out health insurance. The Authority has suggested the introduction of such a code of practice to insurers and is currently discussing the matter with them.

### Application processes

It is the industry practice in the Irish private health insurance market that the circumstances under which an insured person is entitled to make a claim are not clearly established when he or she applies for insurance. Instead, they are established when the insured person attempts to make a claim. In particular, the waiting periods that apply to different treatments are established at the point of claim and not at the point of application. Application forms do not include questions relating to pre-existing conditions and in some cases do not include questions relating to previous cover. Both of these issues could have a material effect on the consumer's right to claim under an insurance policy.

4 European Communities (Unfair Terms in Consumer Contracts) Regulations, 1995 (S.I. No. 27 of 1995).



Under the current practice the potential exists for consumers, who for example suffer from a pre-existing condition, to purchase a health insurance policy without being aware of the effect that their pre-existing condition would have on their right to make a claim under the policy. The consumers might only become aware of how their right to claim is affected when a claim is refused.

The Authority has raised this matter with insurers and has noted that the IIF Code of Practice on Non-Life Assurance provides guidelines in relation to application processes. This code of practice includes, *inter alia*, a requirement that insurers include questions relating to material matters (such as pre-existing conditions) on application forms and that application forms include explanations of the significance of these questions. However, the current market practice in the Irish private health insurance market does not comply with this code of practice. The Authority considers that compliance with this or another agreed code of practice would benefit consumers and is currently pursuing this matter with insurers.

### **Consumer information document**

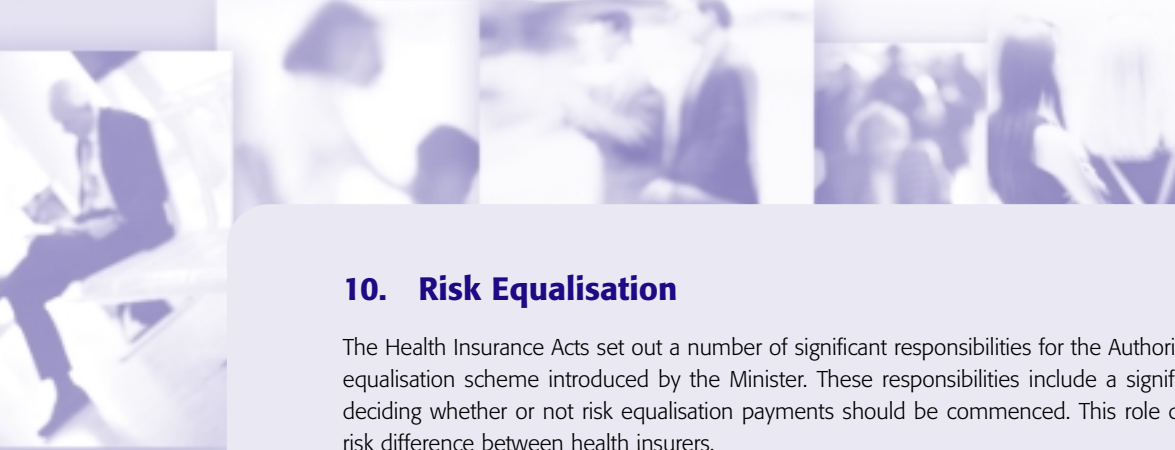
In order to narrow the information gap between consumers and health insurance undertakings, the Authority has commenced drafting consumer information leaflets. These leaflets will provide information to consumers on their rights in relation to private health insurance cover as well as details of market practice and advice relating to issues that consumers should consider and questions they should ask when purchasing a health insurance contract.

## **9. Product issues**

The Authority is working to maintain standards in health insurance. To this end, the Authority monitors health insurance products sold in Ireland to ensure that they meet the requirements of community rating, open enrolment, lifetime cover and minimum benefits. The Authority also monitors other products that may have an impact on the private health insurance market such as hospital cash plans and critical illness cover.

As a result of the Authority's examinations of the way in which health insurance products are sold, insurers have agreed to make clarifications to some of their documentation, which should assist consumers in their understanding of their health insurance contracts. The Authority will continue to monitor developments in this regard.





## 10. Risk Equalisation

The Health Insurance Acts set out a number of significant responsibilities for the Authority in relation to any risk equalisation scheme introduced by the Minister. These responsibilities include a significant role in relation to deciding whether or not risk equalisation payments should be commenced. This role differs at three levels of risk difference between health insurers.

### Criteria for commencing Risk Equalisation - 2001 Act



16

- If the level of risk difference between insurers is below a specified minimum level (threshold 1) then risk equalisation payments cannot be commenced under any circumstances.
- If the level of risk difference between insurers is above this minimum level but below a higher level (threshold 2) then risk equalisation payments can only be commenced by the Minister following a recommendation from the Authority.
- If the level of risk difference is above this higher level then the Minister may introduce risk equalisation without a recommendation from the Authority but the Minister must consult with the Authority.

The Health Insurance (Amendment) Act, 2001 states that the Authority must have regard to the best overall interests of health insurance consumers in formulating its recommendations to the Minister to commence risk equalisation or not. The Act provides certain guidance in defining consumer interests, in that it states that the best overall interests of health insurance consumers “includes a reference to the need to maintain the application of community rating across the market for health insurance and to facilitate competition between undertakings”.

The Authority would also be responsible for managing and administering any risk equalisation scheme that might be introduced and, if payments were commenced, would establish and maintain the risk equalisation fund.

The Authority also has more general responsibilities, which impact on its role in relation to risk equalisation such as the requirements to advise the Minister on matters relating to the functions of the Minister under the Health Insurance Acts, the functions of the Authority and health insurance generally; and to monitor the operation of the Health Insurance Acts, the carrying on of health insurance business and developments in relation to health insurance generally.

The work of the Authority in 2002 in relation to risk equalisation is detailed here.

## Submissions on draft Risk Equalisation Regulations

During the year the Authority made three detailed submissions to the Department in relation to drafts of Risk Equalisation Regulations. These submissions issued in February, June and September on foot of requests from the Department for comments in November 2001 and May and September 2002.

The Authority's reviews of the drafts of Regulations focused on ascertaining whether they were actuarially robust, appropriate from a regulatory point of view, equitable to market stakeholders and identifying whether any substantive changes were required.

The Authority has also discussed drafts of the Regulations in meetings with the Department and has provided further comment in letters and other communications with the Department.

The Authority intends to publish details of these submissions and related communications on its website once the regulatory process is completed.

## Consultation process

In order to seek the comments of stakeholders and interested parties on how the Authority should exercise its responsibilities in relation to risk equalisation and on other matters related to risk equalisation, the Authority engaged in a consultation process throughout March and April 2002 following publication of a consultation paper on 19 February, 2002.

The consultation paper was distributed to a large number of stakeholders including consumer groups, health insurance undertakings, professional bodies, industry bodies, legislators and healthcare providers. Comment from a wider audience was invited through newspaper advertisements. The paper requested comments on issues relating to risk equalisation and specifically on the relationship between risk equalisation and consumer interests, the circumstances, if any, in which risk equalisation should be implemented and the methodology that should be used.

Throughout the consultation process, the Authority ensured that the emphasis remained on the relationship between risk equalisation and the best overall interests of consumers in accordance with the Health Insurance Acts, which state that any recommendation that the Authority makes in relation to the commencement or non-commencement of risk equalisation payments must have regard to the best overall interests of health insurance consumers.

The following provided submissions in response to the Authority's consultation paper:

- BUPA Ireland
- Former members of the Advisory Group on Risk Equalisation
- Health Boards and ERHA Chief Executive Officers' Group
- Irish Medical Organisation
- Professor Ray Kinsella



- Royal & SunAlliance Restricted Membership Undertaking
- The Competition Authority
- The Society of Actuaries in Ireland
- Vhi Healthcare
- Vhi Members' Advisory Council

The Office of the Director of Consumer Affairs responded that the issues do not directly come within the remit of the Director. The Minister and officials of the Department of Health and Children declined formal discussion at this point and stated that they had no matters to raise at this juncture.

In the interests of transparency, the Authority decided to publish the responses received in relation to the consultation paper except where it was specifically requested that the response not be published. Responses are published on the Authority's website at [www.hia.ie](http://www.hia.ie).

The Authority is grateful for the submissions received and wishes to acknowledge the assistance that these contributions provided to the Authority during the course of its deliberations.

## Policy Paper

In September the Authority issued its *Policy Paper on Risk Equalisation in the Private Health Insurance Market in Ireland*. The purpose of this policy paper was to set out the Authority's considerations on its role in relation to recommending whether or not the Minister should commence risk equalisation in the Irish private health insurance market.

In the policy paper, the Authority described difficulties that could arise for a community rated market when a significant difference in risk profiles exists between insurers in the market. The Authority stated that it is therefore of the view that the introduction of risk equalisation could be justified in the appropriate circumstances. However, the Authority recognises that intervention may not always be appropriate to address difficulties in the private health insurance market and where intervention is necessary, risk equalisation may not be the most appropriate or even an appropriate form of intervention to use.

The policy paper set out some matters that the Authority will consider when deliberating on whether or not risk equalisation should be commenced in the best overall interests of health insurance consumers. The Authority will need to be mindful of the likely effectiveness of risk equalisation in addressing any problems existing in the market and any potential harm that the commencement of risk equalisation may cause to the best overall interests of consumers. In this context, the Authority will be particularly mindful of the level of competition existing in the market at the time and of the likely effect that risk equalisation would have on competition in the market.

When considering whether or not risk equalisation should be commenced in the best overall interests of health insurance consumers, the Authority will therefore consider, *inter alia*, matters such as:

- the differences in risk profiles between insurers
- the relative sizes of insurers
- the age/sex profile of insurers' policyholders
- the rate of premium inflation
- the number of insurers in the market/new entrants to the market
- the effect of any transfer on premiums payable by consumers
- the overall size of the market
- the effect of payments on the business plans or solvency of insurers, and
- the commercial status of insurers

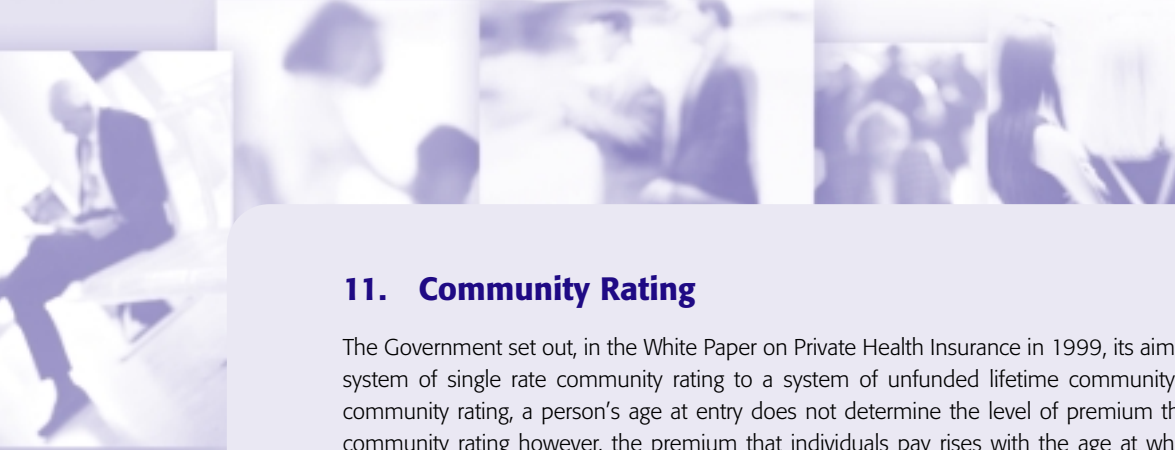
## Preparations for the introduction of Risk Equalisation Regulations

The Authority is confident that it has concluded all preparation and planning in advance of the publication of Risk Equalisation Regulations. This work has involved the development of a detailed plan, which describes the Authority's tasks in the risk equalisation process, assigns owners to each task, estimates the timescales required for each task, places each task in a timetable and analyses the resource implications.

The Authority has developed systems to perform calculations in relation to risk equalisation. These systems have been reconciled with systems independently developed by the Authority's actuarial advisers.

A guide to risk equalisation, which includes a guide to the calculations in the draft Regulations has been prepared by the Authority. It is intended to issue this guide to interested parties after the Regulations become public.





## 11. Community Rating

The Government set out, in the White Paper on Private Health Insurance in 1999, its aim to move from the current system of single rate community rating to a system of unfunded lifetime community rating. Under single rate community rating, a person's age at entry does not determine the level of premium that they pay. With lifetime community rating however, the premium that individuals pay rises with the age at which they enter the private health insurance market, but does not vary in relation to their current age. As it is unfunded, the system of lifetime community rating proposed by the Government does not involve funds being accumulated over the lifetime of private health insurance consumers, but rather the premiums in any given year go towards paying out the claims in that year. In May 2002, the Minister requested the Authority's input into the process of developing new regulations for the introduction of lifetime community rating.

### Consultation process

In recognition of the importance of this issue, the Authority had already begun to examine the issues involved in such a change, and published a *Consultation Paper on Lifetime Community Rating*, which was forwarded to stakeholders, representative organisations and other interested parties. Responses were received from the following organisations:

- BUPA Ireland
- Independent Hospital Association of Ireland
- Irish Patients' Association
- Royal & SunAlliance Restricted Membership Undertaking
- St Paul's Garda Medical Aid Society
- Society of Actuaries in Ireland
- Vhi Healthcare

These responses were analysed, and meetings were held with some respondents to further discuss issues raised, as required.

At the end of October, the Authority made a *Submission to the Department of Health and Children on Lifetime Community Rating*. This submission reflected the views of the Authority on the relevant issues involved in a move to lifetime community rating, while also addressing a number of the issues raised by respondents to the consultation paper.

### Authority's views

The Authority supports the idea of a move to lifetime community rating, as it would reduce the risk of adverse selection in the market, thus increasing the stability of the market. A grace period should be offered before lifetime community rating is introduced, which the Authority envisages would run in tandem with an information campaign for existing private health insurance consumers and the general public.

The Authority sees merit in the suggestion that there should be a maximum level of benefits to be community rated, subject to equity issues being addressed, and has suggested that a review be undertaken on this issue. There was a wide divergence of opinion on the level and application of late entry loadings, and accordingly the Authority has recommended that an actuarial review be undertaken to determine the appropriate system, including the levels of loading required.

The Authority is of the belief that those who have had prior health insurance cover should receive credit for this after a move to lifetime community rating. However, this raises the issue of responsibility for the provision of evidence of such prior cover. The Authority has suggested that consumers be given certificates at the end of each year of cover, with insurers maintaining electronic records of cover for all of their members going forward. The Authority has also suggested that an allowed period of absence should be introduced, during which a consumer whose cover has lapsed would be able to resume cover with no additional late entry loading payable.

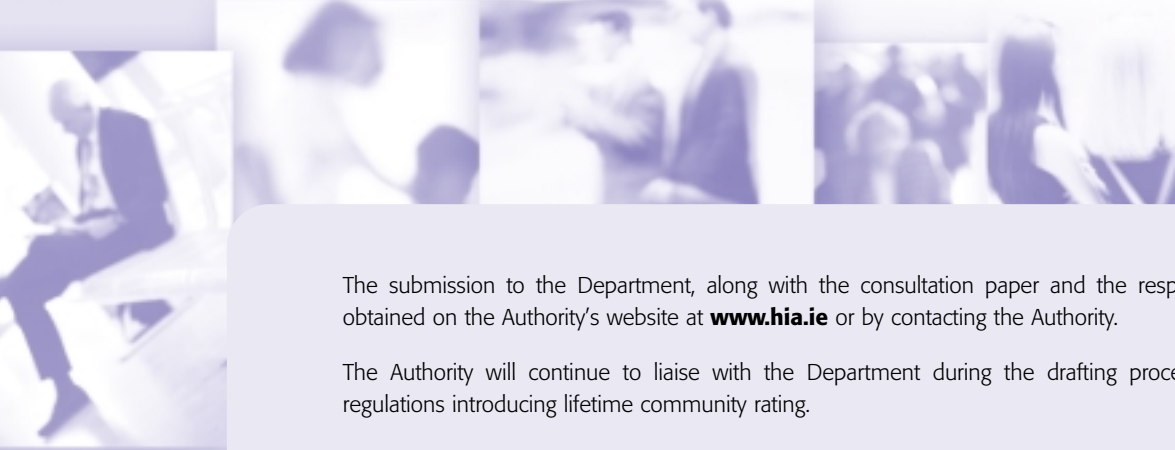
The issue of giving credit for health insurance held overseas is a complicated one. In order to give equal treatment to as many people as possible, the Authority has recommended that people aged under-65 moving to Ireland from abroad should be afforded a similar grace period to those who are resident in Ireland during the transition to lifetime community rating, with the individual being responsible for providing evidence of the date on which he/she took up residence. As over-65s are not currently permitted to take out private health insurance for the first time or after a period of absence greater than 13 weeks, it is proposed that, since this group will not be able to avail of a grace period, equivalent consumers coming from abroad should not receive a grace period either, as this would disadvantage Irish residents aged over-65. However, this proposal is subject to compliance with equality legislation.

The Authority agrees with the suggestion that upgrades in cover should be subject to late entry loadings, although it notes that this could present difficulties in terms of practical implementation. The current waiting periods should remain in force after a move to lifetime community rating, subject to review by the Authority. Finally, insurers should be allowed commercial freedom to waive late entry loadings, provided that they do so on a consistent basis (e.g. if a late entry loading is waived for one person in a category, it should be waived for all persons in that category).

Other recommendations by the Authority include: that a review of the group scheme incentive should be undertaken; that members of restricted undertakings opting out of any risk equalisation scheme that may be introduced should be liable to late entry loadings if they choose to effect cover with one of the "open" insurers after a move to lifetime community rating and that non-hospital plans should also be subject to late entry loadings and should be treated separately from hospital plans.

The Authority recognises that there may be practical difficulties with the implementation of late entry loadings, although it would caution that widespread waivers of such loadings would not be a desired result. It was also suggested by one respondent to the consultation paper that legal and economic analyses should be undertaken to assess the impact of late entry loadings. While the Authority is of the opinion that the legality of such measures is a matter for the Department, it has incorporated questions into its survey of private health insurance consumers in Ireland, which are designed to indicate the likely effects of the introduction of late entry loadings. The survey results will be available in 2003.





The submission to the Department, along with the consultation paper and the responses thereto, can be obtained on the Authority's website at [www.hia.ie](http://www.hia.ie) or by contacting the Authority.

The Authority will continue to liaise with the Department during the drafting process for the anticipated regulations introducing lifetime community rating.

## 12. Competition Issues

The Authority is mindful of the benefits that competition can bring to the private health insurance market in Ireland and is mandated by legislation to take account of the need to facilitate competition in any decision on whether or not to recommend the introduction of risk equalisation. To this end, the Authority has been in discussions with a number of parties regarding competition issues.

The Authority had regular and ongoing contact with The Competition Authority during 2002 in relation to a range of issues. Although the Authority is not among the list of sectoral regulators that are required to sign co-operation agreements with The Competition Authority under the Competition Act, 2002, it believes that a good working relationship would be mutually beneficial and it has pursued this aim.

The Authority has, in the course of its consultation processes, had discussions with a number of stakeholders and interested parties about competition issues.

The Authority is currently in the process of commissioning a research project to examine competition in the private health insurance market in Ireland (See Section 17).

## 13. Minimum Benefits

The Authority understands that the Department plans to revise the Minimum Benefit Regulations in 2003. The Government's policy, as stated in the White Paper on Private Health Insurance, 1999, is to simplify the existing Minimum Benefit Regulations, which incorporate detailed tables of medical treatments and the minimum benefits therefrom. Under these proposals, the Authority would have a greater role to play in defining a number of minimum benefit levels and monitoring compliance with the new regulations.





In the interim, the Authority has been examining the issue of minimum benefits and the existing regulations. It has reviewed the existing health insurance contracts in the market and is satisfied that all of these meet the current criteria. It has also examined the effect on the Minimum Benefit Regulations of Section 13(c) of the 2001 Act, which replaces the term "ancillary health services" with the term "relevant health services" in Section 10 of the 1994 Act, for the purposes of minimum benefit requirements.

The Authority is continuing its work in this area and plans to produce a consultation paper on minimum benefits and to conduct a consultation process thereon in 2003. Once this consultation process has been completed, the Authority will produce a policy paper on the issues pertaining to minimum benefits. The Authority also remains available for discussion with the Department on the proposed changes to the Minimum Benefits Regulations.

## 14. Relationship with Stakeholders

Throughout 2002 the Authority has endeavoured to maintain good professional relationships with stakeholders in the Irish private health insurance market and has been receptive to suggestions and ideas from all sources. In order to do this, the Authority met regularly with stakeholders to discuss matters that fall within the Authority's areas of responsibility and, insofar as is possible, maintained transparency in its work.

## 15. New Entrants

The Authority would welcome new entrants to the private health insurance market in Ireland as the arrival of a new entrant would increase the level of competition. In order to facilitate new entrants, the Authority has compiled information that might be of use to them in relation to:

- the legislative environment in which private health insurance in Ireland operates;
- the healthcare delivery system; and
- non-commercially sensitive statistical information on private health insurance in Ireland.

The Authority is available to meet with prospective new entrants to the Irish private health insurance market and provide them with all possible assistance.

## 16. Relationship with Insurance Regulator

The Authority maintains a good working relationship with the Department of Enterprise, Trade and Employment which also has responsibilities in the private health insurance area.

Following the recent establishment of the Irish Financial Services Regulatory Authority, the Authority will be in communication regarding relevant regulatory matters as appropriate.





## 17. Commissioned Research

### Consumer survey

In its *Policy Paper on Risk Equalisation in the Private Health Insurance Market in Ireland*, one of the instances in which the Authority has suggested that risk equalisation might be appropriate is that of price following. An assumption underlying this view is that lower-risk (younger) consumers would be more likely than higher-risk (older) consumers to switch between insurers for a given price differential.

Although evidence exists from other markets about this phenomenon, the Authority wished to assess if evidence of such behaviour could be found in the private health insurance market in Ireland. It was therefore decided to undertake a survey of private health insurance consumers in Ireland to gauge their attitudes towards switching between insurers. When compiling the terms of reference for the study, the Authority decided to widen its scope to discover consumers' reasons for taking out private health insurance, their attitudes towards the market, their level of knowledge of the market and of their own cover, and other relevant issues. It was also decided to include in the survey questions for non-consumers of private health insurance, to gauge their reasons for not taking out private health insurance and their attitudes towards and knowledge of the market.

After a tendering process, the Authority appointed consultants to undertake the survey. It was agreed that the most appropriate format for the project would be to undertake qualitative and quantitative research into the market. The qualitative element involved conducting a number of focus groups, with small numbers of consumers and non-consumers, and this was carried out in November 2002. The quantitative element of the survey involves a questionnaire, which was administered during face-to-face interviews with a nationally representative sample of 1,001 adults, including both consumers and non-consumers. The fieldwork for the quantitative element of the survey was carried out in December 2002.

The project has been completed and the results of this research are on the website. The Authority now has a better understanding of the motivations of consumers and non-consumers and the likelihood of the switching hypothesis outlined above applying to the Irish private health insurance market. The survey will also help to inform the Authority's future policy decisions in a number of areas.

### Competition research

As part of its decision on whether or not to recommend to the Minister the introduction of risk equalisation, the Authority is mandated, by the Health Insurance (Amendment) Act, 2001, to have regard to "the best overall interests of health insurance consumers". This, according to the Act, "includes a reference to the need to maintain the application of community rating across the market for health insurance and to *facilitate competition between undertaking*." (Italics added).

The Authority is of the opinion that, in order to fully take account of the need to facilitate competition, it should have an in-depth understanding of the issues surrounding the current level of competition in the market, and is commissioning research into the area. Such issues would include, *inter alia*, the level of competition in the Irish market relative to that in other markets, the influence of risk equalisation on business plans and on the likelihood of market entry/exit, and the likely effects of including utilisation in the calculation of the risk equalisation calculations. The Authority is also interested in examining a number of broader issues surrounding competition in the market.

The Authority hopes to initiate this research project shortly, with the results forthcoming later in 2003. These results will allow the Authority to make better-informed policy decisions in areas affecting competition.

## 18. Policy Environment

### Legislation

The Authority has been monitoring developments in the areas of both domestic and EU legislation, dealing with health insurance and other relevant areas, such as insurance and competition. As mentioned, the Authority has been involved in in-depth liaison with the Department regarding the forthcoming risk equalisation regulations and the anticipated lifetime community rating regulations, and remains available to discuss relevant issues with the Department, the Minister and the European Commission and other interested parties.

### Relevant issues/environment

The Authority monitors, on a continuing basis, issues such as medical inflation, which has an impact on health insurance premiums; developments in the healthcare market in Ireland; international healthcare and health insurance systems and developments therein; and other relevant issues relating to the environment in which the Authority operates.

### Better regulation

In February 2002, the Department of the Taoiseach launched a consultation process with the publication of a document entitled "Towards Better Regulation". The Authority, as an independent sectoral regulator, submitted a response to this consultation document. This response dealt with issues raised in the consultation paper, including consumer welfare; competitiveness; operation of markets and competition; public confidence in the regulatory system; independent sectoral regulators; the State's regulatory role and competition policy; equality, equity and social inclusion in the delivery of public services; assuring high quality regulation; and better analysis of the effect of proposed regulations, as well as some general observations.

A copy of this response can be obtained on the Authority's website at [www.hia.ie](http://www.hia.ie) or by contacting the Authority. The Authority has also reviewed a number of other submissions made by relevant organisations and individuals and will provide further input into the process as is deemed necessary.

### Discussions with interested parties

The Authority remains available to discuss the private health insurance market in Ireland and the policy environment thereof, with any interested parties. In 2002, the Authority had discussions with a number of interested parties, both domestic and international, who sought information about the private health insurance system in this country. This is a two-way process, and the Authority has also had discussions, as an interested party, with domestic and international organisations in relevant fields.





## Accounts 2002





## 19. Accounts for the period from 1 January 2002 to 31 December 2002

### To the Minister for Health and Children

*In accordance with the terms of Section 32(2) of the Health Insurance Act, 1994, The Health Insurance Authority presents its Accounts for the twelve-month period ended 31 December 2002.*

<b>Contents</b>	<b>Page</b>
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Statement of Responsibilities of the Authority	33
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Financial Statements	35



## Report of the Comptroller and Auditor General

### THE HEALTH INSURANCE AUTHORITY

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

I have audited the financial statements on pages 34 to 40 under Section 32 of the Health Insurance Act, 1994.

#### Respective Responsibilities of the Authority and the Comptroller and Auditor General

The accounting responsibilities of the members of the Authority are set out in the Statement of Responsibilities of the Authority on page 23. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me by the Authority and to report on them.

I review whether the statement on pages 31 and 32 reflects the Authority's compliance with applicable guidance on corporate governance and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements.

#### Basis of Audit Opinion

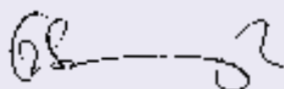
In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with auditing standards issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In my opinion, proper books of account have been kept by the Authority and the financial statements, which are in agreement with them, give a true and fair view of the state of affairs of the Health Insurance Authority at 31 December 2002 and of its income and expenditure for the period then ended.



**Gerard Smyth**  
For and on behalf of the  
Comptroller and Auditor General  
14 April 2003



## Statement regarding Corporate Governance

### Report from the Chairman

#### Appendix E of the "Code of Practice for the Governance of State Bodies"

#### Report from the Chairman regarding the assessment of internal financial controls of The Health Insurance Authority as required in paragraph 10.2 (iii) of the "Code of Practice for the Governance of State Bodies" issued by the Department of Finance in October 2001

1. The Chairman and Members of the Authority acknowledge that the board of the Authority is responsible for The Health Insurance Authority's system of internal financial control.
2. The Chairman and Members also acknowledge that such a system of internal financial control can provide only reasonable and not absolute assurance against material error.
- 3-4. The Members of the Authority have set out the following key procedures designed to provide effective internal financial control within the Authority:

3. (i), (ii), (iv), (v):

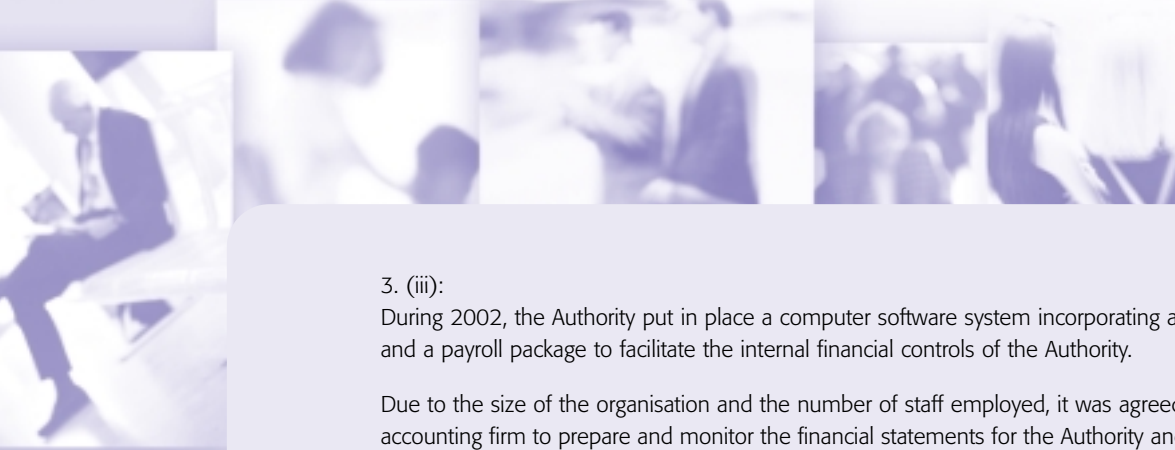
As provided for in Section 26(5) of the Health Insurance Act, 1994, the Chief Executive/Registrar ("the CEO") is responsible for carrying on and managing and controlling generally the administration and business of the Authority and shall perform such other functions as may be determined by the Authority.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

The Members have adopted "Rules in relation to the Procedure and Business of the Meetings of The Health Insurance Authority" for their meetings.

The Authority has also put in place a set of Financial Procedures setting out the financial instructions, notes of procedures and delegation practices. A Finance Committee was established in March 2002 to review the annual financial statements, budgeting and to take an overview of financial procedures generally. The Committee met on five occasions in 2002. Consultants have been engaged in key areas where such services were deemed appropriate including accountants, risk assessment analysis and internal audit consultants.

The Authority carried out a risk assessment analysis of the Authority and its business in November 2002. External consultants were engaged to carry out this analysis, which involved the active participation of the Members and staff of the Authority to identify and prioritise potential risks. The financial implications of any such potential risks were evaluated. It was agreed that the identified potential risks were being managed in an appropriate manner and that the situation would be reviewed in due course. Following the completion of the risk assessment analysis, an internal audit was carried out on the Authority by external accountancy consultants. The internal audit report issued by the consultants stated that the Authority had an effective system of internal financial controls.





3. (iii):

During 2002, the Authority put in place a computer software system incorporating an accounting package and a payroll package to facilitate the internal financial controls of the Authority.

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

5. No weakness in internal financial controls has been identified by the internal auditors and there have been no material losses, contingencies or uncertainties which require disclosure in the financial statements or the auditor's report on the financial statements.
6. As stated above, no information relating to weaknesses were found in the Authority and therefore no description of any action taken or intended to be taken to correct such weaknesses was necessary. The risk assessment analysis and internal audit recommended that the position be reviewed after a certain period of time to ensure that no such weaknesses occur. The Authority has decided that this period be not greater than 2 years.

Signed on behalf of the Members of the Authority

**Professor Alastair Wood**

Chairman

The Health Insurance Authority

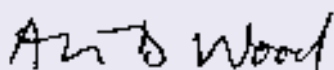
11 March, 2003

## Statement of Responsibilities of the Authority

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

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

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

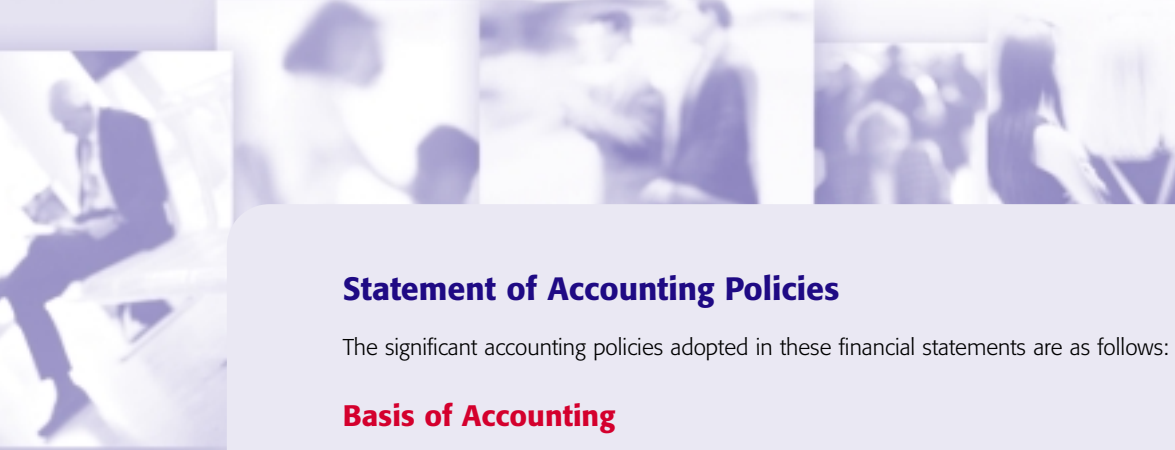


**Professor Alastair Wood**  
Chairman



**Tom Greene**  
Member

8 April, 2003



## Statement of Accounting Policies

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

### Basis of Accounting

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

### Levy Income

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

### Expenditure Recognition

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

### Tangible Fixed Assets

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

### Foreign Currencies

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

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

### Superannuation

In accordance with Section 28 of the Health Insurance Act, 1994, the Authority may, with the consent of the Minister for Health and Children and the Minister for Finance, make a scheme for the granting of superannuation benefits to staff members of the Authority. The Authority is preparing such a scheme in cooperation with both Departments and is making the necessary deductions from salaries which are retained by the Authority, but are not recognised as income. The Authority is also providing for employer contributions to the Scheme.

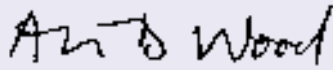
### General Reserve

A General Reserve has been created to meet unforeseen costs that may arise in the future. This Reserve is funded by way of transfer from accumulated Revenue Reserves.

**Income and Expenditure Account for the year ended 31 December 2002**

	Notes	12 months ended 31 December 2002 €	11 months ended 31 December 2001 €
Income	1	1,151,106	752,645
Administration Costs	2	(1,000,725)	(386,088)
<b>Excess of income over expenditure</b>		150,381	366,557
Interest Receivable		11,314	5,649
<b>Surplus for the period</b>		<b>161,695</b>	<b>372,206</b>
Accumulated Surplus at beginning of period		372,206	-
Transfer to General Reserve	9	(250,000)	-
<b>Accumulated Surplus at end of period</b>		<b>283,901</b>	<b>372,206</b>

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



**Professor Alastair Wood**  
Chairman

8 April, 2003

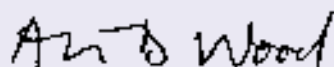


**Tom Greene**  
Member

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

## Balance Sheet at 31 December 2002

	Notes	2002 €	2001 €
<b>Fixed assets</b>			
Tangible assets	4	284,087	331,630
<b>Current assets</b>			
Bank and Cash		655,915	518,415
Prepayments and accrued income	5	300,479	261,747
		956,394	780,162
<b>Creditors (amounts falling due within one year)</b>			
Creditors and accruals	6	(198,685)	(231,691)
<b>Net current assets</b>			
		757,709	548,471
<b>Total assets less current liabilities</b>			
		1,041,796	880,101
<b>Creditors (amounts falling due after one year)</b>			
	8	(507,895)	(507,895)
<b>Net assets</b>			
		<b>533,901</b>	<b>372,206</b>
<b>Representing</b>			
Accumulated excess income over expenditure	9	283,901	372,206
General Reserve		250,000	-
		<b>533,901</b>	<b>372,206</b>



**Professor Alastair Wood**  
Chairman



**Tom Greene**  
Member

8 April, 2003

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

## Notes (forming part of the financial statements)

### 1. Income Levy

Section 17 of the Health Insurance Act, 1994 provides for the payment of an income levy by registered undertakings to the Authority every quarter. The Health Insurance Act, 1994 (Section 17) Levy Regulations, 2001 sets the actual rate for the income levy at 0.14% of basic health insurance premiums paid to all commercial and restricted undertakings in Ireland.

### 2. Administration Costs

	<b>2002</b>	<b>2001</b>
	€	€
Salaries and staff costs (including training)	395,624	104,348
Members' remuneration	27,935	25,607
Rent, Service Charges and Maintenance	116,425	11,396
Recruitment costs	11,606	64,435
Consultancy ( <b>Note 3</b> )	254,675	139,989
Insurance	45,833	216
Computer and Stationery Costs	33,793	4,872
Other Administration Costs	30,520	13,061
Audit	3,750	3,250
Depreciation	80,564	18,914
	<b>1,000,725</b>	<b>386,088</b>

### 3. Consultancy Costs

	<b>2002</b>	<b>2001</b>
	€	€
Accountancy	21,989	4,200
Actuarial Services	118,636	113,852
Legal Services	25,144	7,811
Public Relations	60,815	14,126
Research and Development	28,091	-
	<b>254,675</b>	<b>139,989</b>

## Notes (forming part of the financial statements)

### 4. Tangible Fixed Assets

	Computer Equipment €	Office Fitting, Furniture & Equipment €	Total €
<b>Cost</b>			
At 31 December 2001	41,613	308,931	350,544
Additions during period	15,502	17,519	33,021
At 31 December 2002	<b>57,115</b>	<b>326,450</b>	<b>383,565</b>
<b>Depreciation</b>			
At 31 December 2001	3,468	15,446	18,914
Charge for period	16,418	64,146	80,564
At 31 December 2002	<b>19,886</b>	<b>79,592</b>	<b>99,478</b>
<b>Net Book Value</b>			
At 31 December 2002	<b>37,229</b>	<b>246,858</b>	<b>284,087</b>
At 31 December 2001	<b>38,145</b>	<b>293,485</b>	<b>331,630</b>

### 5. Prepayments and accrued income

	2002 €	2001 €
Accrued income	290,124	247,233
Prepayments	10,355	14,514
	<b>300,479</b>	<b>261,747</b>

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

	2002 €	2001 €
Trade creditors and accruals	153,024	215,403
Pensions provision (Note 7)	37,206	13,933
PAYE/PRSI	8,455	2,355
	<b>198,685</b>	<b>231,691</b>



## Notes (forming part of the financial statements)

### 7. Pensions Provision

The Authority is in the process of establishing a defined benefit pension scheme for its employees. The scheme structure is based on the Public Service Model and approval by the Minister for Health and Children and the Minister for Finance is awaited. Contributions are payable including employer contributions at a rate of 16.666% of pensionable pay and are charged to the Income and Expenditure Account. The following amounts are included in the heading, Salaries and Staff Costs (including training) (Note 2):

	<b>2002</b>	<b>2001</b>
	€	€
Employee Contributions	8,402	395
Employer Contributions	28,014	395
<b>Total</b>	<b>36,416</b>	<b>790</b>
Accrued for seconded staff for 2001	NIL	13,143
Accrued for permanent staff for 2002	790	NIL
<b>Total for 2002</b>	<b>37,206</b>	<b>13,933</b>

### 8. Creditors (amounts falling due after more than one year)

	<b>2002</b>	<b>2001</b>
	€	€
Department of Health and Children	507,895	507,895

The Minister for Health and Children may, with the consent of the Minister for Finance, advance sums of money to the Authority for the purposes of expenditure by the Authority in the performance of its functions. A repayable advance of €507,895 was made to the Authority and has been used for establishment costs. The timing of the repayments of this amount has yet to be agreed.

## Notes (forming part of the financial statements)

### 9. Accumulated Surplus on Income and Expenditure Account

	<b>2002</b>	<b>2001</b>
	<b>€</b>	<b>€</b>
At beginning of period	372,206	-
Surplus for period	161,695	372,206
	533,901	372,206
Transfer to General Reserve	(250,000)	-
Retained surplus	<b>283,901</b>	<b>372,206</b>

The Authority has established a general reserve and has appropriated an amount of €250,000 out of accumulated income at the end of the financial period.

### 10. Capital Commitments

There are no capital commitments for capital expenditure at 31 December 2002.

### 11. Contingent Liabilities

There were no contingent liabilities at 31 December 2002.

### 12. Approval of Financial Statements

The Financial Statements were approved by the Members of the Authority on 8 April, 2003.

## Appendices



## Appendix A

**Table 1:**  
**Statistics Relating to the Private Health Insurance Market in Ireland, 2002**

<b>Quarter Ending</b>	<b>31 Mar 02</b>	<b>30 Jun 02</b>	<b>30 Sep 02</b>	<b>31 Dec 02</b>
<b>Membership (1)</b>				
<b>Total Insured Persons</b>	<b>1,892,019</b>	<b>1,912,487</b>	<b>1,929,189</b>	<b>1,941,307</b>
Total Population (2)	3,882,393	3,897,000	3,911,662	3,926,379
Private Health Insurance Coverage as a % of Total Population	48.7%	49.1%	49.3%	49.4%
Premium Income 2002				
<b>Total Premium Income</b>				<b>€821,951,225</b>

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

(2) Total Population figure for quarter ending June 2002 is CSO estimate as at April 2002; other population figures are based on interpolation/extrapolation.

## Appendix B

### The Register of Health Benefits Undertakings (at 31 December, 2002)

#### *Commercial Undertakings*

1. BUPA Insurance Limited
2. The Voluntary Health Insurance Board

#### *Restricted Undertakings*

1. C.I.E Clerical Staff Hospital Fund
2. CMG Ireland Mediplus Society
3. ESB Marina Staff Medical Provident Fund
4. ESB Staff Medical Provident Fund
5. Gallaher (Dublin) Limited Medical Benefits Society
6. Health Shield Friendly Society Limited
7. HSBC Group Medical Scheme
8. Irish Life Assurance Plc Outdoor Staff Benevolent Fund
9. Irish Life Medical Aid Society
10. Motorola Medical Aid Society
11. New Ireland/Irish National Staff Benevolent Fund
12. Prison Officers Medical Aid Society
13. Royal & SunAlliance (Republic of Ireland) Staff Medical Expenses Scheme
14. SAP (Ireland) Mediben Society
15. St Paul's Garda Medical Aid Society
16. The Goulding Voluntary Medical Scheme
17. Xilinx Ireland Medical Benefits Society







