

ONE IN FIVE LIKELY TO CANCEL PRIVATE HEALTH INSURANCE BY 2016

- **New study highlights need for collaborative action as 84% of people who have dropped their health insurance cite cost or affordability as the problem**
- **Further 38% of people likely to downgrade cover in next two years; more pressure on public system predicted**

20% of people are likely to cancel their private health insurance in the next two years, according to a new Behaviour & Attitudes¹ (B&A) survey on health insurance in Ireland.

The research, which was carried out on behalf of Laya Healthcare, was undertaken to better comprehend why people are dropping their health insurance; plans in relation to the downgrading of cover and insight into pertinent issues such as the Government Health Insurance Levy, Lifetime Community Rating and last year's reduction in tax relief for private health insurance.

The survey found that of the **11%** of respondents who recently cancelled their health insurance, **84%** cited cost or affordability as the primary reason. The public felt strongly about the Government Health Insurance levy with **83%** seeing it as unfair. Of those without health insurance, **86%** believe it is unfair. Only **12%** of respondents were aware that the levy was €399, per adult, each year.

The Government Health Insurance Levy

The B&A study shows that the majority of people in Ireland, nine in ten, feel that the levy penalises *those who have taken out private health insurance to cover their health costs, rather than relying on the public system.*

87% of the population feels that more people would take out health insurance if the levy was removed completely and at **92%**, an unsurprising majority of respondents feel that the health insurance levy is just another name for '*another tax*'.

Over **80%** of the population does not know that everyone pays the same levy, regardless of the level of cover for which they are paying. This means that every adult with health insurance pays the €399 levy irrespective of whether their premium costs €800 or €3,800.

Dónal Clancy, MD of Laya Healthcare said, "The problem with the levy is not only the burden it places on people trying to protect their health, but more so, its disproportionality. We understand why the levy was introduced and Laya Healthcare supports the principle of the levy, as it primarily helps to offset the cost of cover for the older and/or less healthy. But it's a wholly inequitable system that forces someone who wants to help control the price of their cover (by taking out a lower level of cover) to pay the same levy as someone who wants the highest level of cover.

People feel they are being asked to pay on the double for their health insurance with the B&A research showing that **93%** of respondents agree they are being asked to pay once for their premium and again for the levy, and that's on top of their PRSI and USC. We would therefore welcome an opportunity to work with the Department of Health to see how the levy could be more fairly applied so that it is in proportion to a person's level of cover. Laya Healthcare believes that this would assist in creating a more equitable system for all. We know from our continuous research that people do not want to drop their health insurance; it's really important to them."

Tax Relief

When asked if the Government should cut tax relief on health insurance in Budget 2015 to help save on Exchequer spend, **84%** responded that this would be a bad idea and **83%** stated that it was unfair of the Government to have reduced tax relief in last year's Budget.

89% of respondents, 64% of whom do not have health insurance, felt that there should be tax relief on health insurance premiums, demonstrating overwhelming support for this fiscal measure.

"The responses speak for themselves," said Dónal Clancy. "It's clear that people feel somewhat disaffected by the multitude of factors that are driving up the cost of their health insurance and we feel strongly that it is incumbent on our own industry, together with Government and the health sector, to address the problem together. We are confident that we can get real results through continual collaboration and it should start now.

There are some measures that can be looked at straight away such as not increasing the levy and at the very least, maintaining current levels of tax relief, although we would welcome a return to pre-October 2013 levels.

However, looking ahead, it would be hugely beneficial for all stakeholders to collectively address not only these but indeed, the other issues that are impacting health insurance such as medical inflation; the cost of claims; inefficient practices that affect the cost of claims along with the regulation of VHI.

There's no quick fix as the problem is multi-faceted, but a solution is achievable. It's also imperative if Government is realistic about introducing a successful and equitable Lifetime Community Rating system for Ireland in 2015."

Decline in the market

Dónal Clancy continued, "It is no secret that people in Ireland are dropping health insurance in their droves. With almost 300,000 having done so since 2008², it's a particularly worrying statistic when **20%** of people surveyed in the last month indicate that they will follow suit over the next two years.

"Of equal concern is the **38%** of people who signified that they were likely to downgrade their private health insurance, which means that they will have limited levels of cover and will have to rely on the already overstretched public system for many treatments and procedures."

Of the almost four in ten (**38%**) who are likely to downgrade their health insurance, the intention is highest amongst those under the age of 35, at **46%**.

"The Government has introduced policy measures to encourage more young people into the health insurance market from 2015, but this is going to be a challenge if the barriers to entry remain so high. We need to work hard on a practical, multi-layered solution to address the issue as the market needs younger people and interestingly, **72%** of research respondents supported the idea of young people getting cheaper insurance.

What's apparent is that people want to hang on to their health insurance and this is a subject that has become very emotive. Health insurance is not viewed as a luxury but rather a necessity.

Affordability is a huge issue and factors such as the health levy and last year's reduction in tax relief are compounding a problem that is wholly solvable," continued Dónal Clancy.

Laya Healthcare has called on the Government to play its part in supporting the market and holders of private health insurance by not increasing the health levy any further and by not reducing tax relief on private health insurance in the 2015 Exchequer Budget.

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Note to editors

- ¹The Behaviour & Attitudes survey of 1000 adults, aged 16+, was conducted between 19th August and 5th September 2014.
- ² Health Insurance Authority