UHI Explained

Frequently asked questions on the proposed new model of Universal Health Insurance
Overview of Universal Health Insurance

What kind of health system does Ireland currently have?

At the moment we have a two tier health system in Ireland:

- Within the public health system around 41% of the population have medical cards and almost 3% have GP visit cards. Medical card holders are entitled to free primary care and acute hospital care. The rest of the population must pay for GP care and are entitled to treatment in a public hospital, subject to a charge of €75 per night, up to a maximum of €750 in a 12 month period. Charges also apply in Emergency Departments.

- Almost 45% of the population (including some people who have medical cards) have private health insurance. Entitlements under the various private health insurance plans vary but the main benefit is seen to be faster access to treatment in hospitals (public and private). Thus, people with insurance can get access to faster treatment based on their ability to purchase private insurance.

How does Ireland’s spending on healthcare compare to other OECD countries?

One of the biggest drivers of costs in any healthcare system is the number of people over 65. Older people, not surprisingly, require a great deal more care than younger people. The proportion of the population over age 65 in Ireland is 11%, compared to an OECD average of 15%. This should translate into lower than average spending on healthcare. However, Ireland’s per capita spending in 2011 – the latest available data from the OECD – was €3,700, compared to an OECD average of €3,339, based on purchasing power parity. These figures suggest two things:

- Ireland’s spending on healthcare is high given our relatively young population. That is why the Government has been cutting costs in Irish health over the last few years.

- Demand for health services in the future is likely to increase significantly as the Irish population ages. This increased demand will require either major increases in taxation or significant cuts in services – unless major reforms are introduced to make the system much more efficient.

What is Universal Health Insurance?

- Universal Health Insurance (UHI) is a new system of healthcare which the Government plans to introduce by 2019. It will make our health service both fairer and more affordable by eliminating Ireland’s current two-tier health system and creating in its place a single-tier health service which merges the public and private systems.

- Many of the best healthcare services in the world are built around the idea of universal insurance. The Government plans to create a single-tier model of UHI in Ireland which will incorporate the best of what works in other countries, adapted to Ireland’s specific circumstances. The Government has examined a number of UHI systems including those in the Netherlands and Germany.
• The Government is determined to control costs under this model and is committed to staying within agreed public expenditure limits. A series of measures will be put in place to manage costs including the establishment of a Healthcare Pricing Office which will help set prices for treatment under UHI.

• Under UHI everyone will have mandatory insurance and their choice of insurer. No distinction will be made between “public” or “private” patients since every individual will be entitled, unlike the current system, to the same standard package of care. Treatment, in other words, will be on the basis of medical need rather than an individual’s ability to pay.

• Insurers will be obliged to accept everyone regardless of age or health status and will compete for business on the basis of price and service. However, it should be noted that insurers will not be allowed to offer different prices for the same policy based on a person’s gender, state of health or age (with one exception – insurers will be able to charge children lower premiums, as at present).

• Individuals will be allowed to purchase supplementary insurance packages which will include items not covered in the standard package, e.g., more luxurious accommodation. However, insurance companies will not be allowed to sell packages of care that allow some individuals to gain faster access to care than others.

• The state’s role will remain crucial. It will pay for those on medical cards and subsidise the insurance costs of others who are on lower income. It will also have a key role in regulating the health system, in protecting patient safety and in ensuring that costs are kept under control.

• The basket of services which will be covered under UHI will include primary, hospital and acute mental health care. The state will continue to directly fund long term care and other social services. Medical card holders will continue to receive the same range of benefits – health and non-health – under UHI compared to the two-tier system which it will replace.

**Why does the Government want to introduce UHI?**

• The current public/private split in Ireland’s system of healthcare is both unfair and unaffordable. It is unfair because public and private patients are treated differently. Private patients can, in certain circumstances, get faster treatment than public patients. It is unaffordable because the existence of two parallel health systems, covering public and private patients, has delivered significant duplication and inefficiency. The result is a national health service that it is overly expensive given Ireland’s relatively young population.

• Significant savings have already been made in the public health system over the last few years. However, further long term savings and efficiencies can be made without affecting frontline services by merging the public and private systems into a single tier health service. This will improve economies of scale across the national health service and allow needless duplication to be removed.

**What will the health system look like in 2019 under UHI?**

• In 2019 everyone will have insurance with the insurer of their choice and all persons will be treated the same. The Health Service Executive (HSE) will have ceased to exist. A new Healthcare Commissioning Agency will channel state funding for UHI to the insurance companies, while premiums from individuals will go straight to the insurance companies. The insurers will, in turn, contract for the
Universal Health Insurance

Is there a risk that costs might increase significantly under UHI?

Costs in any health system are ultimately driven by two things: Price and Volume. The Government will put in place new systems and structures to control both.

- **Price:** Neither the public nor private health systems have been successful at managing price inflation. For this reason the Government will establish a new Healthcare Pricing Office which will, over time, help deliver prices for medical treatments that are closer to some of the more efficient health systems in Europe.

- **Volume:** There is always a risk that healthcare providers will provide unnecessary treatment in order to compensate for more effective price controls. This is known as supplier induced demand. Under UHI a number of mechanisms will be put in place to control such demand, including legislation which will allow the Minister to put budget caps in place if required.

How will UHI be funded?

UHI will be funded using a blend of financing arrangements.

- **Premium income** will be paid to insurers by individuals. Insurers will contract for the health services to be provided under UHI. Premium income will also be supplemented by a system of co-payments as is
UHI currently the case. The Government may set minimum/maximum levels of co-payments for certain services.

- The state will use general taxation to fund a substantial proportion of costs within the system of UHI. The state will also directly fund health services that will remain outside of the UHI package. There will be no special levy or tax to fund UHI.

**How will UHI be introduced?**

UHI will be introduced in three overlapping phases in order to minimise disruption and ensure that it is implemented efficiently and effectively:

- Phase 1: An extensive consultation exercise on UHI will be undertaken in 2014 with the general public and key stakeholders. A Commission to be established by the Government will consult widely and present to the Government a series of costed options on the proposed basket of services which will be included under UHI by early 2015. The Joint Oireachtas Committee on Health will hold hearings on both the values which should underpin any such basket and on the costed options presented by the Commission. The Department of Health will also invite written observations on the White Paper itself over the next weeks.

- Phase 2: The Programme for Government states that the legislative and organisational building blocks for UHI should be in place by the end of this Government’s term of office. Health reform legislation will be introduced in 2014 and 2015 to replace the Health Service Executive (HSE) with what is called a Purchaser/Provider split. At the moment the HSE both purchases and provides the great majority of services in the health system, reducing both accountability and efficiency. Under a Purchaser/Provider split both functions will, as the name suggests, be split apart. The health reform legislation will, among other things, create a new Healthcare Commissioning Agency. Its task will be to purchase services for patients from various providers. The existing public providers of services will, in turn, be reorganised into new hospital trusts and community organisations. These new providers will be given much greater autonomy than is currently the case. The health reform legislation will put additional building blocks for UHI in place including the creation of a new Patient Safety Agency and a new Healthcare Pricing Office. The regulatory structure for the health system will also be strengthened. Separate legislation to gradually roll out free GP care, starting in 2014, will be introduced as part of the move to UHI.

- Phase 3: Full UHI will be introduced by 2019 and will be underpinned by key legislation.

**How much will UHI cost?**

The Government has made it clear that UHI must not cost more than the two tier system which it will replace and should not require any higher taxes. Over the long term a properly managed single tier system of UHI should actually deliver lower costs than the current inefficient two tier system as a result of four key reforms:

- The current system of block grants, whereby hospitals get a fixed budget regardless of how many people they treat, has helped create significant waiting lists and deliver high costs per service. A new Money Follows the Patient financing system is being introduced under which providers will be paid for both the quantity and quality of services they provide. A specific price will be attached to each service and, over time, this price will be adjusted to reflect best international practice.
• A new Healthcare Pricing Office will be tasked with setting the prices which will be used under Money Follows the Patient. It will be staffed with individuals with specialist knowledge of price setting in medical systems.

• New legislation will allow the Minister for Health to control supplier induced demand under UHI, should it prove necessary, through various measures including possible budgetary caps.

• There will be significant administrative efficiencies, as indicated above, when the current two tier system is replaced with a single tier universal health service.

**How much would insurance premiums have cost if UHI was in place in 2013?**

Full UHI will not be introduced until 2019. It is simply not possible to give a precise figure for individual premiums, which will be set on a competitive basis, for five years ahead. However, it is possible to suggest what average premiums might have been if UHI was in place in 2013:

• The average private health insurance premium paid by individuals in 2013, net of Government subsidy, was €920. If UHI was in operation in 2013 with all of the proposed efficiencies in place, is likely that the average premium charged would have been lower.

• The state would have paid for all of those people on medical cards and subsidised the cost of those on lower income.

• Everyone would also have been entitled to free GP care at the point of access.

• Insurance companies would also have been able to offer lower premiums to individuals who were prepared to accept deductibles, i.e., younger individuals in all likelihood would have had the choice of paying lower premiums in return for agreeing to pay some of the costs of treatment directly should they need it.

• At the same time average waiting lists would have been significantly lower and much nearer the accepted standard in other European countries.

**Why is it necessary to include insurance premiums as part of the funding mechanism for healthcare?**

• Private health insurance premiums currently contribute almost €2 billion to the Irish health system on an annual basis. Without this funding taxes would either need to be increased or services will need to be cut.

• The goal of the Government under UHI is to maintain the flow of insurance premiums into the health system but ensure that this funding is used in a manner that is as efficient as possible. Insurance companies will compete for customers on the basis of quality and cost reductions while other major reforms will be introduced to drive down the cost of medical services and increase patient safety.

• It is also important to note that the amount of money which people will pay for insurance will be related to ability to pay, as a result of Government subsidies, which is not the case for people currently purchasing premiums in the Irish private health insurance market. The state will pay for people on medical cards under UHI while it will subsidise the insurance costs of those on lower income.
What impact will the decline in the number of people holding private health insurance have on UHI?

The decline in the private health insurance market, which has seen 200,000 enrollees give up their policies over the last few years, has made it even more important that a robust system of universal insurance is introduced as soon as possible. The fall has been particularly notable in the younger-age groups, a trend which is likely to be exacerbated by the gradual ageing of the population.

- The optimum long term solution is to establish a system where everyone has insurance, thereby ensuring that there are enough young people to help support the market as a whole.
- In the short term the Government is working with the insurance companies to reduce costs as much as possible in the private health market.

What about people who don’t have a medical card or private health insurance?

People who fall into this category can be roughly sub-divided into two main groups:

1. Individuals who cannot afford private health insurance:
   - The Government will subsidise those who cannot afford UHI.
   - The inclusion of free GP care in the overall UHI package will offer further financial assistance to this group, particularly if they have children.

2. Younger people who don’t feel they need health insurance:
   - In order to increase choice insurance companies will be free to offer deductibles on their plans. Such plans should allow younger, healthier people to reduce their premium rates by accepting some form of limited co-payment should they require treatment.
   - The inclusion of free GP care in the overall UHI package will have a very positive impact on young families with children.

Will UHI privatise the health system?

Absolutely not. The objective of UHI is to create an equitable, single-tier health system based around the idea of social solidarity. The Government believes that some limited competition between healthcare providers, combined with vigorous price competition between healthcare insurers on price and quality, will lead to greater efficiencies in the system and help contain costs over time. However, the role of the state will remain crucial:

- All competition will be heavily regulated by the state.
- The majority of UHI’s funding will continue to come from general taxation.
- All public hospitals will remain publicly owned.
- The state will pay for those who have medical cards and subsidise the insurance costs of those who are on low income.
• The state will have a key function in protecting patient safety and in ensuring that costs are kept under control.

• The state will determine the basket of services which will be covered by UHI.

• The state will continue to directly fund key health services such as EDs, long term care and other vital social services.

I work in the public health service. How will I be impacted by the move to UHI?

• The Government is conscious of the concerns and rights of everyone working in the public health system. The organisational reform necessary for UHI will be implemented having full regard to the needs of staff, including their existing rights under agreed industrial relations procedures. Employment rights will also be protected and there will be consultation with staff associations as the reforms proceed.

What Will UHI Mean For Me?

Will tax relief for health insurance and out of pocket medical expenses continue to be available to me after UHI is introduced?

• The question of tax relief is ultimately a matter for decision by Government at budget time. However, the White Paper states that any funds under this heading will be subsumed into the overall system for financial support for UHI on a revenue neutral basis. A base payment would be paid on behalf of everyone through the Insurance Fund of the Healthcare Commissioning Agency with additional support payments linked to a means test and ability to pay.

What will happen my taxes once UHI is introduced?

• The Taoiseach has made it clear that our priority is to reduce the tax burden on families with average incomes, too many of whom are paying the high rate of tax. Measures to reduce long term costs under UHI will help contribute to this process.

What if I cannot afford health insurance?

• For individuals who cannot afford insurance, the state will pay a full or partial subsidy, based on income, directly to the insurance company of a person’s choice.

Will existing schemes, such as the Long Term Illness Scheme and the Drug Repayment scheme, remain in existence under UHI?

• As a general principle people will retain the same public entitlements under UHI as they enjoy under the system it replaces. The Government will examine, however, whether there is a way to run such schemes in a fairer and more efficient basis under UHI.
Can I keep my medical card?

- People will be able to keep their medical card or its equivalent under UHI.

What will happen if I fail to take out health insurance?

- The Government will purchase a health insurance policy on your behalf and arrange to recover the cost of this policy.

Will I still have to pay charges for using the Emergency Department (€100)?

- ED services will be funded directly by the state. It is likely therefore that the charges will remain in place for those who are currently liable (medical card holders are currently exempt). However, consideration will be given as to whether some sections of the population may be exempt/pay a reduced charge.

Will I have to take out health insurance for my children?

Some 461,000 individuals under 17 currently have private health insurance. In addition children and students are currently subject to a range of charges in the public system unless they have medical cards, e.g., they must pay for GP visits, visits to the ED, etc. Given the current state of the public finances it is likely that parents without a medical card or its equivalent under UHI will have to continue making some contributions on behalf of their children to the cost of healthcare under UHI. However, the following points should be noted:

- The state will subsidise insurance premiums for children whose families are on low income.
- Free GP care for children will help offset the cost of such premiums and may, in certain circumstances, mean that parents are better off under UHI than under the current system.
- Many parents are currently taking out private health insurance in order to ensure that their children get access to treatment as quickly as possible when required. The goal of Government policy is to reduce waiting times to the point where parents can be certain that all children will receive treatment in a timely manner under UHI.

I am an older person. Will I have to take out health insurance?

Almost 400,000 individuals over 60 currently have private health insurance. In addition they are subject to a range of charges in the public system unless they have medical cards, e.g., they must pay for GP visits, visits to the ED etc. Given the current state of the public finances it is likely that older persons without a medical card or its UHI equivalent will have to continue making some contributions to the cost of healthcare under UHI. However, the following points should be noted:

- The Fair Deal and other social services will not be included as part of UHI i.e., there will be no change in the way the Fair Deal works as a result of UHI.
- Older persons with a medical card will have their insurance paid for by the state. Older people on low income will also receive subsidies from the Government to help pay for their insurance under UHI.
• Free GP care will help offset the cost of such premiums and may, in certain circumstances, mean that many older people are better off under UHI than under the current system.

• Older people are currently taking out private health insurance in order to ensure that they can get access to treatment as quickly as possible when required. The goal of Government policy is to reduce waiting times to the point where everyone can be certain that they will receive treatment in a timely manner under UHI.

Different income thresholds currently apply to over 70’s applying for a medical card. Will different income levels apply for different age groups under the UHI subsidy scheme?

• The question of different income levels for different age groups in the population will be considered.

If I am willing to pay can I get quicker treatment?

• Insurance companies will not be allowed to offer plans under UHI that deliver faster access to care.

Will I be able to go to a service provider of my own choice?

• The health insurance companies will contract with various healthcare providers who will deliver services to their policy holders. Customers will know in advance of purchasing a policy which healthcare providers are covered under their policy. The Government will ensure that there is appropriate geographical coverage of providers, both to meet the needs of individuals and to ensure that smaller hospitals have a strong future.

My employer currently pays for my private health insurance – will this change under UHI?

• Your employer can continue to subsidise the cost of your health insurance under UHI.

What impact will UHI have on EU citizens from other Member States resident in Ireland, who currently have entitlements to free healthcare?

• The implementation of a system of UHI will not affect the requirement for Ireland to continue to comply with EU Regulations with respect to the provision of healthcare services. The goal of these regulations is to ensure that individuals can exercise their right to move within the EU without suffering any disadvantages in accessing or paying for healthcare.