

## **Introduction of Lifetime Community Rating (LCR) to the Private Health Insurance Market**

### **FAQ and Examples**

#### **(1) What principles currently underpin the Private Health Insurance market?**

In Ireland, everybody is charged the same premium for a particular health insurance plan, irrespective of their age, gender and the current or likely future state of their health. This is called community rating.

#### **(2) What is Lifetime Community Rating (LCR)?**

Under LCR, community rating is modified to reflect the age at which a person takes out private health insurance. Late entry loadings are applied to the premiums of those who join the health insurance market at age 35 or over. If you take out private health insurance earlier in life, and retain it, you will pay lower premiums compared to someone who joins when they are older.

#### **(3) Why is this initiative needed?**

The primary purpose of introducing LCR is to encourage people to purchase health insurance at a younger age. Encouraging more people to join the market at younger ages helps spread the costs of older and less healthy people across the market, helping to support affordable premium levels for all.

#### **(4) Who will pay lifetime community rating loadings?**

Age at entry loadings will apply on health insurance policies written from the 1 May 2015. From this date, anyone who takes out private health insurance at age 35 or over, and who do not have qualifying periods of credit, will pay a loading. The level of loading will depend on the age at which the person takes out private health insurance. There is a grace period up to 30 April 2015 prior to the introduction of loadings during which individuals of any age can purchase private health insurance without incurring loadings. Following expiry of the grace period, the only way to avoid paying late entry loadings is to take out private health insurance before reaching the age of 35.

#### **(5) How are the loadings calculated?**

From the 1 May 2015, if you are purchasing a private health insurance policy for the first time at age 35 years or older you will pay a 2% loading on top of your premium for every year you are aged over 34. For example, if you take out a private health insurance policy for the first time at age 40 you will pay 12% more than someone who took out their cover before the grace period expired.

#### **(6) Are there any exemptions from lifetime community rating loading?**

Yes. Everyone who has health insurance at the end of the grace period (30<sup>th</sup> April 2015) will be assumed to have a continuous period of cover and therefore no LCR loadings will apply. In addition, the Regulations set out the circumstances when age at entry loadings can be reduced, where the customer has a qualifying credited period. A credited period can apply where individuals previously had health insurance. In addition, provision is made for a credited period (in total not exceeding 3 years) for individuals who previously had health insurance cover, but who stopped their cover since 1 January 2008 because of unemployment.

There are examples in Appendix A to demonstrate the application of loadings and credited periods in various scenarios. The loadings by age is set out at Appendix B.

**(7) If I had private health insurance previously, but let it lapse, do I still have to pay the loadings?**

Yes - but the level of loading will be reduced by the number of previous years health insurance cover.

**(8) Will my age affect my health insurance premium?**

Yes. If you take out private health insurance on or before the 30 April 2015, you will pay no loading. After 1 May 2015 if you are under 35 years of age you will pay no loading. However, if you are aged 35 or over, or have a break in cover in excess of 13 weeks, you will incur a 2% loading per year on top of your premium.

**(9) Will I have to pay a loading for the rest of my life if I continue to maintain my private health insurance cover?**

Yes. The loading that applies when a person purchases private health insurance after the 1 May 2015 will apply in subsequent years, until Universal Health Insurance is in place.

**(10) Why is LCR being introduced from age 35 rather than a younger or older age?**

35 is considered to be an appropriate age to allow young people sufficient time to complete education and to achieve secure employment for a number of years.

**(11) Why is the rate of loading set at 2%?**

The method used to calculate the rate of loadings is based on an assessment across all ages in the market. 2% per year is considered to be a reasonable rate of increase, without being overly punitive.

**(12) Will my health insurance cover be taken into account under Universal Health Insurance?**

LCR relates only to the current voluntary PHI system and will not apply when we move to compulsory health insurance (under UHI).

**(13) What is the maximum loading that will apply?**

The maximum loading that can apply is 70% of the total premium. A loading of 70% will only arise on very rare occasions, where a person aged 69 or older is purchasing private health insurance for the first time.

**(14) Why should persons in older age brackets taking out private health insurance for the first time be penalised with a 70% loading?**

The method used to calculate the rate of loadings is based on an assessment across all ages in the market. The loadings increase with age reflecting the higher claims experience in older age groups. People who take out private health insurance at an early age will have contributed towards the costs of older and less healthy people all of their lives. If the loadings did not apply to older persons, the rate of loading for young persons would be far higher, be disproportionate and end up being a financial disincentive.

It is important to note that there is a window, before the application of late entry loadings, that will allow all customers (including those at older ages) to enter the health insurance market without incurring a loading.

For those who enter the market after the grace period has expired, there will be other measures introduced to help them. At the moment, waiting periods increase with age. The Minister intends to equalise the waiting periods to be served for all to a 26-week initial waiting period and 5 years for a pre-existing condition that commences before a person buys private health insurance. (At present for a person aged 65 or over, taking out health insurance for the first time an initial waiting period of 104 weeks and 10 years for pre-existing illnesses, may be applied).

**(15) Can an insurer make an exemption for me from the LCR loading?**

The application of loadings will be mandatory and cannot be waived by an insurer.

**(16) What happens if I switch from one insurer to another?**

Switching from one insurer to another or from one policy to another does not affect the applicable loading. Loadings, if any, will continue to apply and insurers are required to supply each other with proof of an individual's prior cover.

**(17) Will the level of the loading be reviewed periodically and if so when?**

The Health Insurance Authority will carry out a review of the operation of LCR after a period of two years.

**(18) Can I drop my private health insurance cover for a period of time?**

Periods of up to 13 weeks without cover will be allowed without affecting your loading.

**(19) I can't afford private health insurance, will loadings apply to me in the future?**

Private health insurance is optional. All residents are entitled, subject to certain charges, to receive public in-patient and out-patient hospital services. This means that you do not have to take out private health insurance in order to have access to high quality hospital services. People who cannot afford the premiums for private health insurance, or who do not wish to take out private health insurance for any other reason, continue to have the same entitlement to services in the public hospital system on the basis of clinical need.

**(20) Where can I get independent information about private health insurance policies?**

The Health Insurance Authority provides information on all policies available - [www.hia.ie](http://www.hia.ie).

## Appendix A - Examples of LCR Loadings in Practice

<b>Purchasing PHI on or before 30 April 2015 (for the first time or following a lapse in cover)</b>											
<p><b>Example A:</b> I am 37 years old and I take out health insurance for the first time during the grace period – do I pay a loading on my health insurance premium?</p>	<p>Is the date of taking out cover during the grace period? Yes</p> <p><b>No loadings apply.</b></p>										
<b>Purchasing PHI after 30 April 2015 (for the first time or following a lapse in cover)</b>											
<p><b>Example B:</b> I am 34 years old and I take out health insurance for the first time following expiry of the grace period, will loadings apply?</p>	<p>Is the date of taking out cover during the grace period?</p> <p>No – however, in this instance, as the age of entry is less than age 35 <b>no loadings apply.</b></p>										
<p><b>Example C:</b> (i) I am 45 years old and I take out health insurance for the first time following expiry of the grace period, will loadings apply?</p>	<p>Is the date of taking out cover during the grace period?</p> <p>No – late entry loadings will apply, calculated as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Chronological age</td> <td style="text-align: right;">45</td> </tr> <tr> <td style="padding-left: 20px;">Less any qualifying credit - Prior PHI cover</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="padding-left: 20px;">Qualifying period of unemployment</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="padding-left: 20px;">Age at entry (for loadings purposes)</td> <td style="text-align: right;">45</td> </tr> <tr> <td style="padding-left: 20px;"><b>Applicable loading (11 x 2% per year )</b></td> <td style="text-align: right;"><b>22%</b></td> </tr> </table>	Chronological age	45	Less any qualifying credit - Prior PHI cover	0	Qualifying period of unemployment	0	Age at entry (for loadings purposes)	45	<b>Applicable loading (11 x 2% per year )</b>	<b>22%</b>
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<p>(ii) I am 45 years old and I take out health insurance following expiry of the grace period, having had health insurance cover for 7 years (up to 2008) - will loadings apply to me?</p>	<p>(ii) Is the date of taking out cover during the grace period?</p> <p>No - late entry loadings will apply, calculated as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Chronological age</td> <td style="text-align: right;">45</td> </tr> <tr> <td style="padding-left: 20px;">Less any qualifying credit – Prior PHI cover</td> <td style="text-align: right;">7</td> </tr> <tr> <td style="padding-left: 20px;">Qualifying period of unemployment</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="padding-left: 20px;">Age at entry (for loading purposes)</td> <td style="text-align: right;">38</td> </tr> <tr> <td style="padding-left: 20px;"><b>Applicable loading (4 x 2% per year)</b></td> <td style="text-align: right;"><b>8%</b></td> </tr> </table>	Chronological age	45	Less any qualifying credit – Prior PHI cover	7	Qualifying period of unemployment	0	Age at entry (for loading purposes)	38	<b>Applicable loading (4 x 2% per year)</b>	<b>8%</b>
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<p><b>Example D:</b></p> <p>I am 50 years old and had health insurance previously for 10 years but lost my job in 2010 and have three years qualifying periods of unemployment - if I take out health insurance after 1 May 2015, will I have to pay loadings and if so how much?</p>	<p>Is the date of taking out cover during the grace period?</p> <p>No - late entry loadings should apply, calculated as follows:</p> <table border="0"> <tr> <td>Chronological age</td> <td style="text-align: right;">50</td> </tr> <tr> <td>Less any qualifying credit – Prior PHI cover</td> <td style="text-align: right;">10</td> </tr> <tr> <td>Qualifying period of unemployment</td> <td style="text-align: right;">3</td> </tr> <tr> <td>Age at entry (for loading purposes)</td> <td style="text-align: right;">37</td> </tr> <tr> <td><b>Applicable loading (3 x 2% per year)</b></td> <td style="text-align: right;"><b>6%</b></td> </tr> </table>	Chronological age	50	Less any qualifying credit – Prior PHI cover	10	Qualifying period of unemployment	3	Age at entry (for loading purposes)	37	<b>Applicable loading (3 x 2% per year)</b>	<b>6%</b>
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<p><b>Example E:</b></p> <p>I am 65 years old, have never had health insurance and have no qualifying period of unemployment - if I take out health insurance after 1 May 2015, will I have to pay loadings and if so how much?</p>	<p>Is date taking out cover during grace period?</p> <p>No - late entry loadings will apply, calculated as follows:</p> <table border="0"> <tr> <td>Chronological age</td> <td style="text-align: right;">65</td> </tr> <tr> <td>Less any qualifying credit – Prior PHI cover</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Qualifying period of unemployment</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Age at entry (for loading purposes)</td> <td style="text-align: right;">65</td> </tr> <tr> <td><b>Applicable loading (31 x 2% per year)</b></td> <td style="text-align: right;"><b>62%</b></td> </tr> </table> <p><i>While a loading of 62% will be applied to the health insurance premium, in this case the Minister intends to equalise the waiting periods to be served for <u>all</u> to 26 weeks initial waiting period and 5 years for a pre-existing condition that commences before a person buys private health insurance. (At present in the case of a member aged 65 or over, when you take out health insurance for the first time an initial waiting period of 104 weeks, and 10 years for pre-existing illnesses, may be applied).</i></p>	Chronological age	65	Less any qualifying credit – Prior PHI cover	0	Qualifying period of unemployment	0	Age at entry (for loading purposes)	65	<b>Applicable loading (31 x 2% per year)</b>	<b>62%</b>
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<p><b>Example F:</b></p> <p>I am 55 years old, have come to live in Ireland in February 2016 (following expiry of the grace period for Irish residents) and take out health insurance - do I pay a loading on my health insurance premium?</p>	<p>Is the date of taking out cover during the original grace period?</p> <p>No - however a grace period is also provided for persons coming here from abroad, who take up residence in the State after 1 May 2015. An individual will have 9 months, following their arrival in the country, to take out health insurance before late entry loadings will apply. This is an equivalent measure to that available to an Irish resident. The onus will be on the individual to demonstrate to an insurer that this is now their principal residence, so therefore <b>no loadings apply</b></p>										

**Example G:**

**I am 50 years old and have health insurance for many years. I know my current employment contract will expire in (August 2015) and I will likely be forced to let my cover lapse – will I have to pay loadings when taking out health insurance again and if so how much?**

Is date taking out cover during grace period?

No, the grace period will have expired - the following calculation applies

Chronological age	50
Less any qualifying credit – Prior PHI cover	27*
Qualifying period of unemployment	0
Age at entry (for loading purposes)	23
<b>Applicable loading</b>	<b>0%</b>

*\*A credit will be provided for that person back to age 23 - based on an acceptance that such a person likely had health insurance cover previously beyond just six years (current data protection requirements) and may not be in a position to fully document and provide evidence of cover. In this instance, the age of entry is beneath the threshold of age 35 and **no loadings apply**.*

Appendix B – Table of Applicable Relevant Increase by Age

<b>Age at entry in years of Insured Person</b>	<b>Percentage Rate of Loading</b>
34	0%
35	2%
36	4%
37	6%
38	8%
39	10%
40	12%
41	14%
42	16%
43	18%
44	20%
45	22%
46	24%
47	26%
48	28%
49	30%
50	32%
51	34%
52	36%
53	38%
54	40%
55	42%
56	44%
57	46%
58	48%
59	50%
60	52%
61	54%
62	56%
63	58%
64	60%
65	62%
66	64%
67	66%
68	68%
69+	70%