

GloHealth

Lifetime Community Rating

What does this mean
for Companies?

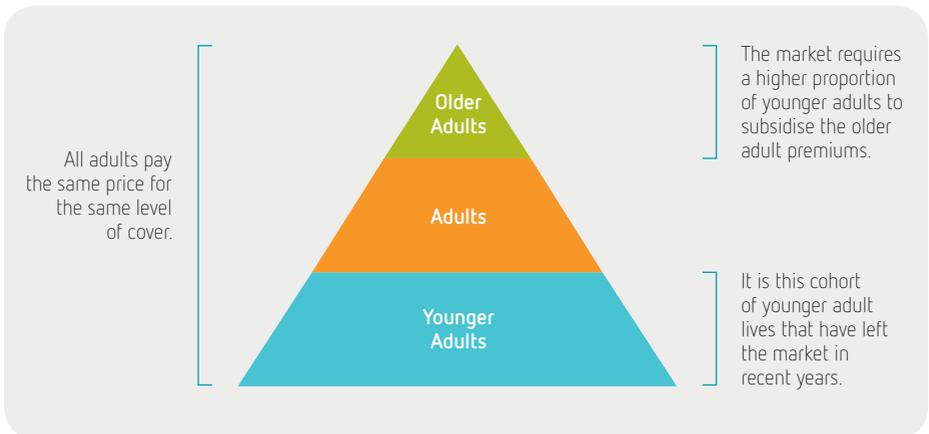


Background to Lifetime Community Rating

Ireland operates a system of community rating for health insurance. This means that a health insurance product must be sold at the same price to all people regardless of age or whether they have made any previous claims.

Community rating works on the premise that younger members will subsidise older members through their health insurance premiums and they in turn will be subsidised when they grow older.

Figure 1: The Community Rated Market



However, community rating does not reward someone who takes out health insurance early and pays into the community rating market every year as against someone who waits to join health insurance later in life, they both pay the same premium.

The health insurance market has in excess of 2 million members, however since 2008 nearly 300,000 people have had to give it up. Those who have opted to leave the market have been mostly younger, healthier members who help support the older, sicker members in the market.

Lifetime Community Rating will be introduced from 1 May 2015 to address both of these issues.

It is important to understand that this new legislation will not affect current schemes or current scheme members.



What is Lifetime Community Rating?

Lifetime community rating is an initiative to encourage younger people to take out health insurance earlier and thereby helping to keep the costs of health insurance affordable for all. If you purchase health insurance before this date or already have health insurance no loadings will be applicable regardless of your age.

From 1 May 2015, a 2% loading will apply to the premium for every year over the age of 34 you are when you first enter the market. The maximum loading that can be applied is 70% i.e. up to the age of 69 (2% x 35). Loadings will be applied to all new members buying health insurance products from 1 May 2015 onwards and will apply every year thereafter.

Example 1: How Loadings Work?

- You purchase health insurance for the first time at the age of 40.
- This is 6 years older than 34.
- You will have to pay a 12% loading (2% x 6) on your premium.
- This loading will then be applied to your premium forever.
- For example, if the price of the health insurance plan is €1,000 your cost will be €1,120.

However there are credits available which will allow people to enter the health insurance market, after 34, either without a loading on their premium or with a reduced loading. If someone had previously had health insurance and cancelled this cover – credit will be provided for the years they were insured over the age of 23. People can also get up to three years credit if they previously had health insurance but cancelled this due to unemployment between 1 January 2008 to 30 April 2015.

Example 2: How Credits Work?

- You had health insurance coverage between the ages of 30-35 and then stopped.
- You take out health insurance again after 30 April 2015 and you are then 41.
- Your loading should be 14% because there is 7 years between 34 and 41.
- However you've built up 5 years credit (10%) as you were insured between 30-35.
- Therefore your loading is 4% (14% loading less 10% credit).

What is the Young Persons Discount?

Traditionally there were three categories of pricing in private health insurance, adult, child and student pricing. The concept of a student rate will disappear as of 1 May 2015. Instead from that date health insurers will have the option to apply a young persons discount to their plans. This will be a sliding discount for persons aged 18 – 25 (set out below). It is at the discretion of the insurer to apply the discount to any particular plan, but once they choose to do so they must apply it to all the age cohorts set out below on that plan.

Age	Discount
18-20	up to 50%
21	40% - 49%
22	30% - 39%
23	20% - 29%
24	10% - 19%
25	0% - 9%

Frequently Asked Questions

What happens if you switch insurance?

Switching insurer remains as simple as today. Any loadings that may apply will be carried over from one insurer to another. Each insurer is required to supply each other with proof of an individual's prior cover. As all loadings are mandatory they cannot be waived by any insurer.

Who has to pay for the loadings?

The loading forms part of the premium – however the extent to which an employer may choose to subsidise the payment of the premium is entirely at the discretion of the employer.

What happens if an employer chooses not to pay any applicable loadings for employees?

GloHealth will facilitate split billing between the employer paid premium (or part thereof) and the payment of LCR loadings directly by the employee.

What happens to loadings if there is a break in cover?

There can be up to a 13 week break in coverage without affecting any applicable loading.

What happens to people from overseas who come to Ireland after 1 May 2015?

Anybody who either returns to live in Ireland or comes from overseas to live in Ireland after 1 May 2015 will have 9 months from the date they return to purchase health insurance and no loading will apply. Employees therefore have a nine month grace period from when they first come to Ireland to take out health insurance without penalty. Thereafter the normal rules apply i.e. they will be loaded if they take out health insurance after 9 months and are older than 34.

What additional information will I need to provide to GloHealth?

No further information is needed for any person who is a GloHealth member on 30 April 2015 – it will be noted that no loading will apply. For new employees joining after 30 April 2015 additional information will be required depending on their health insurance status:

- If they had health insurance on 30 April 2015 – no loading will apply – and only confirmation that they had health insurance on that date will be necessary. If they are already GloHealth customers no further documentation will be required and if they are coming from another insurer, the other insurer will provide the data;

- If a new employee has come from overseas – they will only be asked to certify that they were not resident in Ireland on 1 May 2015 and when they first entered Ireland to take up residence and if this is within 9 months then no loading will apply – if they have been in Ireland for over 9 months and are over the age of 34 then loadings will be determined in the normal fashion;
- When switching schemes – information on whether loadings have been applied by the previous insurer will need to be given to your new insurer.
- If a new employee, over the age of 34, who joins after 30 April 2015 had previously been either unemployed or had previous health insurance further information will be required in order to ascertain what level of credits may be applied.

What effect will this have on tax relief at source?

There is no change to tax relief at source.

What effect will this have on Benefit-In-Kind?

Benefit-In-Kind is only paid by the employee if all or part of their health insurance is paid by their employer. As the loadings form part of the premium they will be subject to benefit-in-kind in a similar fashion to the rest of the premium if it is paid by the employer.

How will the change to young persons discount impact my company?

Firstly, with the introduction on May 1 of this discount the price paid by the company for people in the ages of 18 to 25 will be less than pre May 1. Secondly, many companies pay for their employees' adult dependents if they are in full time education. This student rate was generally 50% of the adult pricing and only applied to adult dependents up the age of 21. From May 1 companies can continue to pay for the employees' adult dependents although the rate will no longer be dependent on their attendance in full time education. Companies will have to decide at what age they cease to pay for their employees' adult dependents.

If you have any questions or queries on Lifetime Community Rating please contact us on 1890 752 752 or by email at corporate@glohealth.ie

Get In Touch

If you have any questions about your cover or benefits please contact us directly and we will be happy to help.



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