

# A Company Guide to Lifetime Community Rating



IRISH HEALTH INSURANCE

# What is Lifetime Community Rating (LCR)?

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. Community Rating is a system where a person's age, gender or health status does not determine the level of premium they pay, except for children, students and group schemes.

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 before aged 35, and retain it, you will pay lower premiums compared to someone who joins when they are older.

## Why is this LCR being introduced?

The purpose of LCR is to encourage people to purchase health insurance at a younger age. The more people who join the market at a younger age help spread the claims cost of older and less healthy people across the market, allowing for more affordable premium levels for all.

### Who will pay LCR loadings?

Age at entry loadings will apply on all new entrants aged 35 or over from the 1st 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 30th of 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.

### How are the loadings calculated?

From the 1st 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 44 you will pay 20% more than someone who took out cover before the end of the grace period.

## **Are there any exemptions from the Lifetime Community Rating loading?**

Yes. There are 4 types of exemption available from the 1st of May 2015.

- Everyone who has health insurance at the end of the grace period (30th April 2015) will not be subject to any LCR loadings.
- Credits are also given to those who at one point or another had health insurance as an adult in Ireland.
- A social welfare credit is available for a period (not exceeding 3 years in total) for individuals who previously had health insurance cover, but who stopped their cover since 1st January 2008 because of unemployment.
- If you are new to the Country or returning home from a period of emigration you will have a grace period of 9 months with which to take out health insurance before a loading will apply.

## **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 may be reduced or nullified completely by any of the above mentioned exemptions.

## **Will my age affect my health insurance premium?**

Yes. After May 1st 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.

## **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 all subsequent years or your insured life.

## **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.

## **Why is the loading set at a rate of 2% per annum?**

On assessment across all insured age ranges, 2% per year was considered to be a reasonable rate of increase, without being overly punitive.

## **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 arise where a person purchasing private health insurance for the first time is aged 69 or older.

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

The loadings increase with age to reflect 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 people would be far higher, disproportionate and end up being a financial disincentive.

## **Can an insurer make an exemption for me from the LCR loading?**

No. The application of loadings will be mandatory and cannot be waived by an insurer.

## **What happens if I switch insurer?**

Switching insurer 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.

## **Will the level of the loading be reviewed periodically and if so when?**

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

## **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.

# Considerations for Employers

## How will this affect the company?

1. If hiring an individual over the age of 34 with no prior health insurance, the cost of providing them with Private Medical Insurance (PMI) benefits may be greater than the cost of PMI for existing employees.

As a company you will need to take a position on how to deal with any loading incurred for new employees.

## The Options are:

- The Employee will pay this loading and this simply becomes the cost of employment for the candidate
  - The Employer pays the loading where it arises
  - The Company opts to consider their options on a case by case basis.
2. Companies may also want to look to see if they have employees on probationary periods before signing them up to the company PMI Scheme and decide whether they would be better to advance them into the scheme before the 1st of May 2015 as a means of avoiding any potential loadings.
  3. When new members join the company scheme it is imperative that previous health insurance details are captured correctly and provided to insurers from 1st May 2015 to ensure that correct premiums are charged.

## IHI are here to help

Irish Health Insurance is here to assist companies in exploring their options as to how best to deal with these changes and how to prepare your company for the changes before they affect you. Above are just some of the considerations that thought should be given too.

To find out how we can help call us on

**01 403 0700**

or email us on

**info@IrishHealthInsurance.ie**

## Examples where No Loading Applies

**Q:** 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?

**A:** No loading applies.

**Q:** I am 34 years old and I take out health insurance for the first time following expiry of the grace period, will loadings apply?

**A:** No - as the age of entry is less than age 35 so no loading applies.

## Examples where Loadings Apply

**Q:** I am 45 years old and I take out health insurance for the first time following expiry of the grace period, will loadings apply?

**A:** Yes and is calculated as follows:

*Age 45 - Less any qualifying credit*

*Prior PHI cover - None*

*Qualifying period of unemployment - None*

*Age at entry (for loadings purposes) 45*

*Applicable loading (45 less 34 = 11 x 2% per year) 22% loading applies*

**Q:** 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?

**A:** Yes and is calculated as follows:

*Age 45 - Less any qualifying credit*

*Prior PHI cover - 7 Years*

*Qualifying period of unemployment - None*

*Age at entry (for loading purposes) 38*

*Applicable loading (45 less 34 = 11 less 7 = 4 x 2% per year) 8% loading applies*