

TASC – Think-tank for Action on Social Change

Submission to Public Consultation on the White Paper on Universal Health Insurance

June 2014

TASC is an independent, progressive think-tank whose core focus is economic equality and democratic accountability.

In 2011, TASC published *Eliminating Health Inequalities – A Matter of Life and Death* to highlight the interrelationship in Ireland between economic inequality and inequality of health outcomes.

The TASC Health Inequalities Group, under the chairmanship of Professor Joe Barry is currently updating the analysis and recommendations of the report and their findings will be available later this year.

The Department of Health has published a White Paper on Universal Health Insurance, which sets out in detail the elements of the proposed Universal Health Insurance model for Ireland. As such, it provides detail on the overall design of the model, the proposed system for deciding on the standard package of services and the financing mechanisms for the system.

The introduction of Universal Health Insurance (UHI) will have significant impacts on both health and economic inequalities. Whether these impacts are positive or negative will depend on decisions taken with regard to the implementation of UHI. Therefore, TASC wishes to submit the following comments in response to the publication of the White Paper.

These comments are based on the analysis and recommendations of *Eliminating Health Inequalities*, the work of the TASC Health Inequalities Group, and TASC's recent publication *A Defence of Taxation*.

In response to the White Paper, TASC welcomes;

- 1.1 The commitment in the White Paper, through the introduction of universal health insurance, to end the two tiered system of access to health services and to ensure access based on need, not ability to pay.
- 1.2 The commitment to the principles of open enrolment, lifetime cover, community rating and equal access.
- 1.3 The expansion of access to primary medical care as part of the move to introduce universal health insurance.
- 1.4 The commitment to improving health information systems that will improve the efficiency, effectiveness and quality of healthcare and to monitor outcomes.

However, there are a number of key areas of the White Paper that TASC is critical of, namely:

- 2.1 The proposed model of universal health insurers with competing, profit driven health insurers. Under the proposed model, regulated insurers will have to have an additional, combined capital reserve of circa €3.5bn, money which will require a return on investment that will add 12 to 15 per cent to the cost of the health insurance market.
- 2.2 The proposed continuation of tax relief on health premia. Tax relief on health insurance premia is regressive as it disproportionately benefits those with higher incomes. Tax reliefs are an economically inefficient way of using scarce resources.
- 2.3 The absence of any reference to reducing health inequalities as an objective of universal health insurance and the absence of any measures to monitor the impact of universal health insurance on health inequalities over time.
- 2.4 The absence of any proposal for a contribution from employers to the cost of UHI, despite Ireland having one of the lowest levels of social contributions of any EU country.
- 2.5 The capping of expenditure on health spending at the 2013 level, despite a rising and ageing population and the existence of major health inequalities in the population that need to be addressed.
- 2.6 The omission of a guarantee in the White Paper that all legal entitlements to health services, inadequate as they are, that have been built up over many decades will not reduce under the basket of services to be agreed for universal health insurance to the detriment of the poorest and sickest members of society.
- 2.7 The proposal that that excess payments will apply in addition to insurance premia. There is an extensive literature that demonstrates that excess health payments discriminate against older, sicker and poorer people.
- 2.8 The individualised model of health insurance payments as outlined in the White Paper. In reality, the majority of premia will be paid on behalf of families. Therefore, the number of dependants, particularly for low income families, must be taken into account in setting the level of health insurance contributions and subsidies.
- 2.9 The current level of risk equalisation in the private health insurance market, which will be no more than 75 per cent effective when commitments made by the Minister for Health are implemented, is inadequate to protect the principles of a community rated health insurance market under UHI. At current levels of effectiveness, insurance companies have an incentive to 'cherry pick' younger and healthier members and to discriminate against the old and sick. Without a fully effective scheme of risk equalisation, similar behaviour will take place under universal health insurance.

2.10 The scale and cost of the regulatory agencies involved in the operation of proposed model of universal health insurance will absorb resources that could be better used to improve the health of those on low incomes.

In response to these concerns, TASC recommends the following:

- 3.1. A system of Universal Health Insurance, with a single, not for profit insurer, funded by a combination of taxation, social insurance and personal contributions.
- 3.2. Universal health insurance, as part of the state's social provision, to be exempt from the requirements of the EU's competition and insurance directives.
- 3.3. The reduction of health inequalities should be an objective of UHI, through an improvement of the health of those on the lowest incomes. Progress towards this objective should be monitored by the Central Statistics Office, using the improved health information systems.
- 3.4. Tax relief on health expenditures should be removed and the savings used to expand and improve health services.
- 3.5. The immediate expansion of access to primary medical care to the whole population. This has been shown to be the most equitable and cost effective way of treating the majority of medical conditions. Widening access to primary medical care without expanding the infrastructure to cope with the additional demand will reduce quality and impact most on the sick and the poor.
- 3.6. If the model of competing, private insurance companies is implemented, there should be a scheme of risk equalisation that is at least 95 per cent effective in protecting community rating, as operated in the Dutch and German health systems, to prevent discrimination against the old and the sick.

Further information can be found in

Eliminating Health Inequalities, the work of the TASC Health Inequalities Group
<http://www.tasc.ie/publications/eliminating-health-inequalities/>

TASC's recent publication ***A Defence of Taxation***
<http://www.tasc.ie/publications/tasc-a-defence-of-taxation/>

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