

Plaza 255
Blanchardstown Corporate Park 2
Ballycoolin Road
Dublin 15



Telephone: 01 899 1604.
Fax: 01 899 1707.
E-mail: customerservice@medicalaid.ie
Website: www.medicalaid.ie

EACH MEMBER OF THE SOCIETY

9th June 2014

The effect of the major reduction in income tax relief for individuals holding private health insurance was a total surprise and shock in last year's budget when announced by the Minister of Finance. The consequence for the Society of this Government decision is an immediate reduction in income of €5.4 million in a full year which cannot be sustained by the Society and regrettably must be passed on to you, the membership. As outlined in the circular to you in November 2013, the Committee were able to defer implementation for existing members until the next renewal date. Unfortunately that date of 1st July 2014 is approaching and regrettably the Society must now put the Revenue Commissioners reductions in place for each member. To recover this lost revenue alone requires a subscription increase of at least **10.25%** which does not take account of the increasing costs applying in Public Hospitals.

To add to the misery the Minister for Health also decided that, with effect from 1st Jan. 2014 public hospitals should charge privately insured patients even when occupying a bed in a public ward. This in effect means that if you **“waive your entitlement to be treated as a public patient”** and decide to declare as a private patient in a public hospital the same charge will apply whether you are in a semi-private room or in a public ward. Both will in future be designated as “multiple occupancy rooms” for charging purposes. For example, the charge in a Regional hospital will be €813 a day to the Society and other insurers. The Government decision to start billing insurers for their members while in a public ward is estimated to cost the Society around €2.5 million a year which is equivalent to a **3.5%** increase in subscriptions.

In the review for the forthcoming year, the Committee concentrated mainly on benefit changes to limit subscription increases to the absolute minimum to sustain the Society. The Committee examined all benefits and have made some adjustments to make savings and minimise the increase. The changes in subscription and benefit cover are included in the new Member's Guide to Benefits and Subscriptions available to view or print on our website at www.medicalaid.ie. A summary of the more significant benefit changes are as follows:

- Maximum Monthly Drugs Benefit payable is reduced by €10 per month to €60 per month.
- Orthopaedics – While the complexity and lengths of stay required for operations such as hip, knee and shoulder replacement surgery and revisions of same has reduced significantly, some private hospital prices have not reflected this sufficiently in their prices. There are differentials of up to €7000 between some private hospitals for these particular procedures and in the context of trying to cut costs and keep subscription increases to a minimum, these differentials cannot be justified. The Committee has therefore decided that a shortfall or co-payment of €2000 will be applied in the **Mater Private Hospital and Blackrock Clinic** from 1st July 2014 if you decide to have hip, knee and shoulder replacements and revisions/repeats of these same procedures in either of these two hospitals. The Committee are satisfied that there are many excellent Public and Private Hospitals available countrywide where full cover will continue to apply with no shortfall.
- The Society currently pays a benefit of €150 towards the costs of spectacles and contact lenses once every two years. The Revenue Commissioners rules state that this benefit is not allowable against the Tax Relief at Source (TRS) claimed by the Society. Consequently and in order to be compliant with these revenue rules, the Society has no choice but to cease this benefit with effect from 1st July 2014.

The minimum level of increase required to replace the lost revenue from the income tax changes and provide for the additional cost of treatment in public hospitals is 3% on the current gross premium. Arising from the significant tax relief changes this 3% translates into a net increase of over **13.5%** on your weekly/monthly deduction from pay/pension which will have the following effect on your weekly/monthly subscription to the Society from the 1st July 2014;

Subscription Fee per Adult

Gross current rate of €32.21pw will increase to €33.18pw – increase of €0.97pw per adult .

Net current rate of €25.77pw from pay or pension will increase to €29.33pw – increase of €3.56pw per adult .

(This clearly illustrates the significant effect of the budget reduction to the income tax relief).

Result - Single member's subscription will increase by 3.56pw and a couple by 7.12pw.

Subscription Fee for Children under 18 years

Arising from the Income Tax Relief changes, the Committee had to restructure the net fee applying to children under 18 years of age which is currently €10.85pw as follows;

Fee for one child under 18 years will remain at current rate of €10.85pw – no increase.

Fee for two children under 18 years – fee of €11.49pw – increase of €0.64pw

Fee for three or more children under 18 years – fee of €12.00pw – increase of €1.15pw.

Result – 1 child under 18 yrs = no increase. 2 children under 18yrs = €0.64pw increase. 3 or more children under 18 yrs = €1.15pw increase.

Subscription Fee for Children in the 18 to 23 years of age scheme

The fee for each child up to two children in the 18 to 23 years scheme will increase from the current €10.85pw to €11.50pw – increase of €0.65pw . There is no charge for the third or more children in this scheme.

Result – 1 child between 18 to 23 yrs – increase of €0.65pw. 2 or more aged 18 to 23 yrs = increase of €1.30pw

This increase arises solely because of Government policy changes in the Income Tax Relief and Public Hospital charges – the Society would have avoided an increase in subscriptions until 2015 at the earliest but for these changes. This increase though not of the Society's making is the first in 4.5 years, the last being 3.5% on 1st January 2010 with numerous increases by all other insurers over those intervening years.

The Committee also emphasise the substantial Out Patient cover provided by the Society which is now practically non existent with the other insurers. Each year, a Society member can recoup part of his/her yearly subscription in refunds in respect of monthly drugs bills, dental treatment, orthodontic treatment, eye laser, GP and Consultant Visits, Physiotherapy, Counselling, Acupuncture, Speech Therapy, Chiroprody, IVF Treatment and many other out patient treatments. Plan B Options with VHI and now known as Health Plus Extra costing €2234 net per adult per annum is often compared to our Comprehensive plan which will cost €1525.16 net per adult per annum from 1st July 2014.

The Committee like the Boards of the other insurers were particularly annoyed with the Government in the manner that the income tax changes were foisted on them on top of the substantial extra costs arising from the charges for private patients in public hospitals and all in the one year. Of particular annoyance is the fact that Government did not explain to the public and take responsibility for the dramatic effect on health insurance premiums of these measures and left the insurers with the task of informing the public of its implications in increased premiums. The Committee has written to and lobbied Government TD 's and Ministers seeking to have this measure revisited at the next budget in view of the dramatic effect these extra charges will have on family finances – being realistic, it is unlikely that the measures will be reversed but we must keep trying.

Accident and Emergency in Private Hospitals.

The Committee wishes to re mind members that the Society contributes €70 towards the cost of attending Accident and Emergency Departments in Public or Private Hospitals. If you choose to attend A & E in a private hospital – you will have a substantial financial shortfall of at least €100 and up to €300 which you will have to pay compared to a €30 shortfall in A&E in a public hospital. The choice is yours, but all claims must be assessed equally – i.e. we pay €70 towards the cost of A&E in Public or Private Hospitals and you will be responsible for the balance.

Dental Implants

The Society does not and never did provide a benefit towards the cost of dental implants no matter what symptoms are diagnosed and cannot entertain any such claims from members. More and more dentists are advising patients to avail of this solution to dental problems which is fine but members must understand that if they avail of this option that they will have to cover the full cost of the implant treatment and no benefit will be available towards the cost from the Society. Income Tax relief at 20% of the cost is available through a claim on a Med 2 Form to the Revenue Commissioners.



OWEN CONNELL
SECRETARY