



BUPA's move is bad news for health and wealth of the nation

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THE impact of BUPA's decision on the evolving health market here is now a critical issue for debate.

Although the Irish health care system offers a tax financed universal entitlement to public care over half the Irish population have private health insurance and the proportion of the population going private continues to grow.

Crucially this growth is evident despite significant and sustained increases in premia.

More than this, Irish health policy actively supports the private health sector.

In this context it is interesting that the debate over the loss of BUPA to the Irish market has focused on competition or market issues.

VHI was originally established to provide cover for top earners but it was founded on principles of social solidarity, reflected in the community rating principle.

The risk equalisation issue central to the problems faced by BUPA is fundamentally an effort to deal with these values in a market of multiple insurance providers.

We are almost certainly seeing confusion between the issues of community rating and risk equalisation in this debate.

More critically, we inevitably are seeing little dynamism in the market and certainly don't see the sort of competitive forces present in other insurance markets, or in markets such as credit cards, where con-

sumers can move from provider to provider to get the best deals.

However, while this is important it is perhaps ultimately less so than the ripple effects within the private (and the linked public) health care market.

The support for private health insurance and the private health sector are justified on the grounds that insurance should be generally affordable and open.

However in a recent research paper, we show how the privately insured in Ireland are still the better educated, wealthier and, healthier.

Policy aimed at promoting access to insurance in the population is, in fact, very successful at encouraging those at the higher ends of the education and income distributions (and those with better health!).

This runs a little deeper, however. We can assume that health policy has a (quietly stated) wish to encourage private insurance. If we assume that all of the BUPA subscribers move to one of the other players, their departure is not seen as a big deal.

Unfortunately our data, which examines a very large sample of Irish adults repeatedly over a seven year period, shows that private health insurance ownership has more than a whiff of habit about it.

The danger is that when you break the habit, you might just find that those younger, healthier BUPA members decide not to bother moving to, say, VHI or VIVAS. They didn't go to VHI before BUPA was there - BUPA did grow the market - so why go now? There may also be lousy timing - those interest rate rise of recent months might

make subscribers see this as an option to leave a little wriggle room in the monthly household budget.

The other irony relates to the core issues in the debate - community rating and risk equalisation. Our research shows that those with poor health (taking account of other issues like income, education and so on) have a much lower likelihood of being insured, despite the fact that the system is community rated.

Dig deeper and you'll see that for the uninsured, especially those with poor health or a chronic condition, this is more worrying.

Cross-subsidies from public to private (or from insurer to insurer) are justified because they are meant to ensure a stable private market with fair access for all. What these core principles do, in fact, is lower the price of insurance for the insured, in part using taxes from many of those uninsured. The fundamental point from our work is that despite best efforts to avoid cream-skimming, those that insure are the better educated, with higher incomes and in better health.

That is true across all providers. The arrival of BUPA didn't create this reality and their departure may, in fact, deepen this or even reduce the numbers in private insurance with consequences for public care.

The competition arguments surrounding BUPA's departure may ultimately be the less vital ones.

It is a pity the debate on this issue is rooted in these arguments. However it was to be achieved, a move that kept BUPA here, and incentivised others into the mar-

ket, and genuinely widened the reach of private insurance, was worth the effort. BUPA's departure makes finding a solution all the more necessary.

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Health Minister Mary Harney speaking to Marie McGill at the opening of a new unit at Milford Care Centre in Limerick.