

MONEY MATTERS

Your questions answered by
Dermot Goode

Changes to health insurance

WITH effect from Wednesday, October 16, 2013, the government reduced the tax relief allowance on health insurance premiums. Before this date, the full cost of your health insurance was eligible for tax relief at the standard rate (currently 20%). This was actually deducted at source, which meant that members only had to pay the net premium to the health insurer.

Changes

The tax relief has now been capped at €1,000 gross per adult and €500 gross per child. Any gross premium in excess of these levels must be paid in full.

Contrary to the way this was presented, this will not just affect 'gold plated' plans but will affect approximately 85-90% of all policyholders. It applies to all new policies and renewing policies from October 16, 2013 onward. Those who already purchased or renewed with an effective date prior to October 16, 2013 are not affected until their next renewal date.

How will this affect me?

Take an example of one adult on a standard level 2 hospital plan paying €1,250 gross for their cover. With full tax relief, their net premium was only €1,000; however, with the new change they will only get tax relief on the first €1,000 which means they pay €800 of this portion. They then have to add in the full amount of the excess premium over €1,000 which is €250 to bring their new net premium to €1,050. While plans cost-



ing less than €800 net will be unaffected by this change, all other plans will see increases ranging from 0 to 20% depending on the insurer and the plan held.

For example, the most expensive plan on the market (Vhi Health Plus Platinum) will increase by €784 per adult as a result of this measure alone (20% increase). Equivalent plans from the other insurers will see similar price hikes.

There is considerable confusion regarding this change in the market as many consumers believe they have escaped as their net premium is currently below the €1,000 threshold. However, they need to work off the gross premium and not the net figure.

Wake up call

Finally, if there was ever a 'wake-up' call for people to review their cover, this is it. With more than 250 plans on the market and new plans being launched almost weekly, there should be a plan to suit all budgets.

The key point is to make sure that any plan selected meets your exact requirements before either changing plan or

switching provider. A good advisor will be able to do this work on your behalf

Review your insurance policies

With competition in the health insurance market fierce at the moment, there may be a better deal out there for you with more benefits that suit you at a cheaper price. For example you could save from €916 per adult by switching from VHI Health Plus Extra to the Aviva Nurses & Teachers Choice Plan or €886 if you switch to the Glohealth Best Plan.

Cornmarket has a dedicated team which is available to review your health insurance policy and see if we can save you money. For a free health insurance comparison, contact us at Tel: 01 470 8091.

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