

Mr Michael McGrath TD
Minister for Finance
Department of Finance
Government Buildings
Upper Merrion Street
Dublin 2
D02 R583

cc Senator Victor Boyhan

23rd May 2023

Dear Minister

Further to previous correspondence and discussions with Senator Victor Boyhan, we would like to take the opportunity to submit a formal submission to the Minister for Budget 2024.

In the context of planning for that Budget, current inflationary pressures and healthcare waiting lists, Letsbuyhealthcare would like to make some observations and suggestions for consideration by your Department.

In summary as proposals to reduce public waiting lists we are asking that 2 matters be considered:

- 1. An increase in the small benefit threshold for employer gifted vouchers that are exclusively to meet healthcare costs**
- 2. Provide tax relief at source on the cost of vouchers exclusively for healthcare in the same way as private medical insurance premiums**

More details are set out below.

Yours Sincerely,



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1. Context

We will not dwell too much on the context and background but as the country (hopefully) emerges from the Covid-19 crisis we are obviously faced with some serious healthcare issues. As you are aware long waiting lists persist – not only surgical and outpatient but also in child, mental health and other areas.

Like many other countries demand exceeds supply of public health services and in Ireland's case

- the recruitment and availability of medical professionals, both nurses and doctors, is problematic,
- the ageing profile of general practitioners and the day-to-day pressures, economic and otherwise, they face is a concern
- the rising cost of private medical insurance
- the need for ongoing capital investment in our public health facilities

All against a background of growing inflation and inevitable demands for higher wages.

2. Self-Payers

Letsbuyhealthcare is setting out to provide solutions for people affected by these issues. Particularly those without private health insurance in the so called “twilight zone”

Faced with such long waiting lists many people reach the point where the benefit of 'free' public care is no longer worth the wait. It is important to note that 70% of people on the public surgical waiting lists are waiting for day-case treatments - treatments that may be affordable to many.

However, traditionally there have only been systems, information, and processes available to support people if they are in one of two general categories - either privately insured or public patients.

Those who can't afford or who don't want private health insurance cover, are not so well catered for. The term “self-payer” is generally used to describe people in this category. So, there is a hint in the name. These people are essentially on their own.

- On their own in terms of navigating access,
- On their own when assessing value for money and
- On their own on simply how to “go private”

3. The Letsbuyhealthcare Co-Operative Scheme

The Private Health Co-Op sets out to change all that. We are taking a community co-operative approach.

For people who want to have their own personal private healthcare fund and who also want private healthcare services when needed, the Letsbuyhealthcare Co-Op is now a 'one stop shop' that serves both.

Central to this scheme are:

- A new private health co-operative society
- A voucher-based *healthcare specific* product ("Healthcare Coins")
- A customised healthcare online portal with a network of accredited medical providers

Letsbuyhealthcare's scheme is a pre-payment system. Healthcare coin vouchers are bought, or gifted, in advance to fund future healthcare costs. This means that everyone can have their own private healthcare fund. A fund that is used exclusively to purchase, through the Letsbuyhealthcare portal website, value for money healthcare services. This will reduce the risks of both supplier-induced demand and moral hazard in healthcare costs for members.

Elective healthcare procedures and services, except for joints, typically cost between €100 and €5,000, so if a member has a €5,000 fund built up, over time, they could fully meet the cost of an elective healthcare procedures/services.

A healthcare scheme that will involve employers, retailers, customers, healthcare providers – supported by tax incentives from the State.

An entirely new integrated approach to the issue of affordability and access to healthcare – that is a mix of 'not for profit' and commercial.

The overriding, ambitious, objective being to put in place a connected 'ecosystem' that gives families and individuals a simple affordable way to prepare for, and fund, the cost of future healthcare needs - both community healthcare and hospital delivered healthcare.

4. Proposed State support

The purpose of this submission is to seek State support for that self-payer community and to do so in a way that directly and positively impacts healthcare waiting lists both now and into the future.

Specifically, we'd ask that two matters are considered by the Minister:

Firstly:

Provide a new incentive to employers to contribute to family healthcare self-pay funding by increasing the €1,000 small benefit threshold to €5,000 when gift or bonus vouchers are exclusively to meet healthcare costs

To do so arrangements would need to be put in place to amend Section 112B of the TCA 1997 to differentiate vouchers that are exclusively for healthcare purposes by setting a separate, higher, threshold for healthcare specific vouchers.

So that, only in the case of healthcare vouchers, the small benefits exemption would have a different, higher threshold, ideally up from €1,000 **to €5,000** in line with the typical maximum cost of a *day-case* surgical procedure.

The purpose being to incentivise employers to directly contribute to their employee's future health and wellbeing.

A sensible economic as well as social action because:

Enhanced Employee Well-being: Encouraging private healthcare benefits can have a direct positive impact on the well-being of employees. By providing tax exemptions on these benefits, we can empower individuals to prioritize their health and access necessary medical services without financial constraints. This, in turn, will contribute to a healthier and more productive workforce.

Reduced Strain on Public Healthcare System: By incentivizing private healthcare benefits, we can help alleviate the burden on the public healthcare system. Employees will be more likely to seek timely treatment through private healthcare providers, reducing the strain on public hospitals and clinics. This, in turn, can lead to shorter waiting times, improved access to healthcare services, and better outcomes for all citizens.

Increased Employee Retention and Attraction: Implementing a higher tax-free threshold for private healthcare benefits will make it more attractive for employers to offer such benefits as part of their compensation packages. This will enhance employee retention rates and attract top talent, benefiting both the employees and the organizations.

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Support for Local Healthcare Industry: The proposed amendment will stimulate the growth of the private healthcare sector by encouraging individuals to seek private healthcare services. This, in turn, will drive investment, innovation, and job creation within the local healthcare industry, boosting the overall economy.

Administrative Simplicity: Establishing a separate higher threshold for private healthcare benefits will streamline the administrative process for employers and Revenue authorities. Clear guidelines will ensure straightforward compliance and reduce ambiguity when determining the tax treatment of these specific benefits.

We request that the Minister carefully consider our proposal for an increased tax-free threshold for benefits, gifts, or bonuses exclusively intended for private healthcare purposes. This amendment aligns with the government's goals of promoting employee well-being, reducing the burden on public healthcare, and fostering economic growth.

We believe it will have a positive impact on employees, employers, and the overall healthcare landscape in Ireland.

- employees are encouraged to have the resources to return to normal as soon as possible after illness or treatment.
- a reduction in sick days should be a consequence which, in turn, will reduce social welfare expenditure
- further employer investment in employee health and wellbeing will benefit the economy generally

It would also mean that employers would be directly contributing to a reduction of healthcare waiting lists.

Some examples are shown in Appendix 1 to illustrate our request.

Secondly:

Provide families with a tax incentive to purchase healthcare specific vouchers by providing tax relief at source on the cost of those vouchers in the same way as private medical insurance premiums.

As the purchase of Letsbuyhealthcare Coin Vouchers is a pre-payment system like Private Medical Insurance annual premium payments, there is a case for their purchase to also attract standard tax relief at source.

Indeed, the Exchequer cost of such a change could be funded in part or in full if it **replaced** current tax relief provided on incurred healthcare expenditure.

A proposed shift in tax relief policy to support families that **prepare for** the future cost of healthcare – instead of providing relief after a healthcare event. There are a number of advantages to such a change:

1. **Encouraging Preventive Healthcare:** By offering tax relief on vouchers for future healthcare, individuals are incentivized to proactively invest in preventive measures, screenings, and regular check-ups. This can lead to early detection and treatment of health issues, reducing the burden on the healthcare system and improving overall public health outcomes.
2. **Simplicity and Accessibility:** Introducing vouchers for healthcare as a tax relief mechanism simplifies the process for taxpayers. It eliminates the need for individuals to maintain extensive records and receipts of healthcare expenditures, making tax filing more straightforward. Additionally, vouchers can be made easily accessible to taxpayers through various channels, such as online platforms, retailers or designated healthcare providers, ensuring convenience and wider participation.
3. **Fairness and Equity:** Tax relief on healthcare vouchers promotes fairness and equity by ensuring that all taxpayers, regardless of income level, can benefit from the relief. Currently, individuals with higher incomes may receive larger tax benefits due to their higher healthcare expenditures. Shifting to vouchers would provide a standard relief amount to all taxpayers, promoting a more equitable distribution of benefits.



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4. **Stimulating the Healthcare Sector:** By directing tax relief towards the purchase of healthcare vouchers, there would be a positive impact on the healthcare sector. The increased utilization of vouchers would provide a boost to private healthcare providers, clinics, and hospitals, stimulating investment and innovation within the industry. This, in turn, could lead to improved healthcare services, increased competition, and a more robust healthcare ecosystem overall.
5. **Enhanced Transparency and Accountability:** With the use of healthcare vouchers, it becomes easier to track and monitor healthcare expenditures. With the agreement of the Revenue we can establish mechanisms to provide evidence that vouchers are only redeemed for legitimate healthcare services, reducing the potential for fraud and abuse. The transparency and accountability associated with voucher-based tax relief contribute to the integrity of the tax system and promote public trust.

5. Conclusion

In making these requests we could not possibly set out every scenario and we are sure that assurances and controls would be required by Revenue and others on several related topics for any processes or systems needed to support implementation.

That may be a premature topic to raise but if the Minister or his Department were of the view that there is merit in exploring these outline proposals further, we are of course happy to discuss.

We believe our new scheme and the proposed supports for the so-called “twilight zone” will potentially begin a process of levelling the tiers of healthcare. Making access to, and affordability of, healthcare more easily available to this cohort of the population are also in keeping with the principles of Slaintecare.

Some explanatory Letsbuyhealthcare marketing material is also attached.

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APPENDIX 1

Provide a new incentive to employers to contribute to family healthcare self-pay funding by increasing the €1,000 small benefit threshold for vouchers that are exclusively for healthcare costs (e.g., Healthcare Coins) by setting a separate, higher, threshold for healthcare specific vouchers, ideally up from €1,000 to €5,000 in line with the typical maximum cost of a *day-case* surgical procedure.

Example 1.

Philip is a high performing employee. His employer heard of the small benefit exemption and wants to issue him with either a general gift voucher or a healthcare specific voucher worth €2,500 during the year to show appreciation for his efforts. The healthcare voucher can only be used for healthcare as defined by Section 469 of the Taxes Consolidation Act 1997.

As the value of either voucher would exceed €1,000, it would not meet the requirements under s112B TCA 1997 to avail of the small benefit exemption. Philip's employer would have to operate PAYE, PRSI and USC on the face value of either type of voucher.

Proposed:

As the healthcare specific voucher has a separate higher threshold of €5,000 no tax is payable on receipt of the €2,500 healthcare specific voucher. (The general gift voucher would remain disallowed.)

As at present;

- If the value of the healthcare specific voucher exceeded the separate healthcare small benefit revised threshold of €5,000 then Philip's employer would have to operate PAYE, PRSI and USC on that face value.
- If Philip has received the voucher as part of an arrangement he made in exchange for a reduction in his salary, then the voucher will therefore not qualify for the small benefit exemption and Philip's employer will have to operate PAYE, PRSI and USC on the face value of the voucher.
- Additionally, if the voucher acted as an incentive payment for Philip to take up a salary sacrifice arrangement, the full value of the salary sacrificed will remain taxable under s118B(4)(b) TCA 1997



Example 2.

Brenda was recently dismissed from her employment. She brought a case to the Workplace Relations Commission after her dismissal as her employer had not paid her final two month's salary of €6,000.

Following discussions in advance of the hearing, her employer offered to pay her €2,500 salary and provide a choice of either a €2,000 general gift voucher or €2,000 healthcare specific voucher to settle the case. Brenda accepted this offer.

As Brenda's dispute related to unpaid salary, either €2,000 voucher would be considered part of a salary sacrifice arrangement because Brenda agreed to accept this amount in lieu of €2,000 salary owed to her.

As such, Brenda's former employer is required to operate PAYE, PRSI and USC on the face value of either voucher.

Proposed:

No change



Example 3

Noel's employer provided him with a choice of

- A gift card valued at €1,000 when the company reached its financial targets for the year. The gift card can either be used in store or online by Noel to purchase goods and services. It can also be inserted into a cash machine and used to withdraw cash

or

- A healthcare specific €1,000 voucher that can only be used for healthcare purposes with an accredited healthcare professional. It cannot under any circumstances be converted to cash or used for any other purposes other than healthcare.

As the general gift card is redeemable, in full or in part, for cash it will not be a qualifying incentive for the purposes of the small benefit exemption, and Noel's employer must operate PAYE, PRSI and USC on the gift card. This is the case irrespective of the fact that Noel might not actually use the card to withdraw cash.

No tax is payable on receipt of the healthcare specific voucher because it cannot be converted to cash or cash equivalent and does not exceed the revised benefit.