

**SUBMISSION BY VHI GROUP TO THE PUBLIC CONSULTATION BY AN INDEPENDENT REVIEW  
PANEL TO REVIEW SENIOR PUBLIC SERVICE RECRUITMENT AND PAY PROCESSES**

The Minister for Public Expenditure and Reform Michael McGrath, TD established an independent review panel to conduct a review of the current recruitment and pay determination processes in place for Senior Public Service Posts.

Our understanding is that the review will consider the following issues;

1. Current Recruitment Process – in particular in the Civil Service – give recommendations and guidance on measure and strategies to improve processes and outcomes.
2. **Process of determining pay and related terms and conditions for Senior Public Service appointments – review the process for determining terms and conditions for senior posts including relevant Ministerial Powers, tenure and pay determination procedures.**
3. Arrangements for secretary general at the end of term.


In this submission Vhi will focus on Section 2 above. The terms of reference allows for submissions from organisations that were previously covered by the Review Body of Higher Remuneration in the Public Sector and includes CEO's of Semi-State Bodies.

## INTRODUCTION

Vhi is Ireland's largest private health insurance company and a major healthcare provider. Vhi is a successful but complex organisation with revenues in excess of €1.56 billion per annum. The company has been independently valued at approximately €1 billion, is strongly capitalised and the business is performing well, continuing the positive trend of recent years. Vhi operates in a highly competitive and regulated environment. It is classified as a high impact firm by the Central Bank of Ireland (CBI) and this brings with it exacting prudential and conduct obligations.

As a brand, Vhi has built the trust and confidence of customers through successive generations. However, Vhi must continue to build on this unique and valued heritage to continue to grow and evolve. Vhi is an important state asset and must be supported to operate with independence and agility.

Vhi's core purpose is to help our customers live longer, stronger, healthier lives. Our chosen strategic pathway is to provide our customers with access to superior, affordable health and wellbeing services that meet the needs of our customers at various stages in their lives while also ensuring an excellent



customer and patient experience. This represents a pioneering model of healthcare for Ireland and if executed correctly will help to alleviate pressure on both the public and private sector, by improving access, delivering efficiencies and enhancing healthcare outcomes. This in turn will help all of those seeking healthcare as well as those delivering it. Vhi is very aligned with Government Policy and our strategy will support improved healthcare delivery in Ireland.

Vhi understands the rationale for introducing changes to the determination of senior public pay some years ago, when unemployment was high and the country was still recovering from the global financial crisis. However, in the intervening years, the labour market has rebounded strongly and the private sector has responded in order to attract and retain talent, both from the domestic labour market or by competing internationally. State enterprises must be able to do likewise.

Currently, restrictions on pay and pensions to which we must adhere are adversely impacting our ability to compete, protect and grow Vhi, a valuable state asset and to attract and retain high calibre individuals essential to the delivery of Vhi's strategy. The salary cap, for example, limits our ability to compete effectively for senior talent in the highly competitive marketplace. As Vhi seeks to recruit senior clinicians to deliver the strategy, the salary limitations will be a challenge to this. The lack of commercial freedom to make decisions in the best interest of the organisation is a serious problem now and the situation is only going to get worse particularly in a high inflationary environment.

Vhi with the Department of Public Expenditure and Reform (DPER), NewERA and the Department of Health (DOH) would like to explore potential exemptions to, or reform of, the State Code that will enable the Board and the Executive carry out their functions in accordance with good governance practice, and appropriately in the interests of staff, customers and stakeholders, including Government. We already operate a successful framework relationship between the DOH and Vhi, introduced in 2015 when Vhi was authorised by the Central Bank of Ireland and we believe this should now be reviewed to address issues currently impeding Vhi from operating optimally in a highly competitive and fast changing marketplace. We believe that some of the current structures and systems do not serve the company and, therefore, the State well.

### PENSIONS

Vhi requires the authorisation of the Minister for Health, NewERA and DPER to approve small increases for our pensioners. The pension in payment increases, where approved, are payable through the Pension Fund which is exclusively funded by the Vhi Board and its subsidiaries. Any increases are in line with cost of living increases, are subject to a rigorous internal process, and may not exceed 2% in any given year. Over the last number of years there have been delays in acquiring

these required authorisations and Vhi is seeking commercial independence to execute decisions like this in a flexible and timely manner.

## **REMUNERATION**

Vhi is experiencing significant risk in recruiting and retaining colleagues based on state remuneration restrictions when benchmarked against industry equivalents. Vhi has experienced difficulties in attracting and retaining senior staff. Remuneration restrictions mean that we are competing for the same talent that others are competing for without the same restrictions. It is vital for the long term sustainability of Vhi and to allow us execute our business strategy that we are able to attract and retain the people we need to run and develop the business.

The Code of Practice for the Governance of State Bodies (Remuneration and Superannuation) states that the salaries of senior management should be set at a level that allows sufficient headroom between the CEO and senior management. This is proving more and more difficult for Vhi.

Vhi is a fundamentally changed organisation since these measures were introduced many years ago – it is now an authorised insurer and a major healthcare provider – the organisation continues to grow in breadth and complexity and this needs to be recognised.

## **NEXT STEPS**

Vhi would be happy to address the issues above in more detail with the Review Panel if required. We believe that an extension to the Relationship Framework between Vhi and the Department of Health to allow for some commercial independence in addressing some of the above issues should be explored and we are also of the view that some exceptions to the State Code should be considered. Vhi operates in a highly competitive, highly regulated market and is not in receipt of state funding. Vhi has an independent Board, appointed by the Minister for Health and subject to the approval of the Central Bank of Ireland for fitness and probity; Vhi is regulated by the Central Bank Of Ireland and the Health Insurance Authority and operates in an open, competitive and fast moving market where competition for customers and talent is intense against competitors, industry peers and disruptors who are not subject to the same provisions and limitations.

**Vhi Group**