IAJ Press Release GCT on Health Insurance

The Government of Jamaica has taken a decision to tax Health Insurance Premiums by the imposition of GCT on the premiums charged effective April 3, 2017. This would increase the cost of Group Health Insurance by the current GCT rate of 16. 5 %. The premium for Group Health is usually shared by employer and employee. The IAJ is therefore concerned that this decision will increase the cost to both employers and employees and will have a negative impact on the efforts of the industry to increase the number of persons who have health insurance.

Health insurance coverage in Jamaica based on figures as at December 31 2016 is low, as only 415, 867 employees (207,302 ASO plans) have Group Health Insurance. This is approximately a third of Jamaica’s workforce. There are an additional 289,417 persons (128,415 ASO Plans) covered as dependents. The total number of persons covered is therefore 699,301, (Dec 31 2016) which represents approximately a quarter of our population.

Administrative Services Only (ASO) plans are not regarded as Group Health Insurance as the Insurance Companies only provide a Claims Management Service but is not at risk. The ASO plans are mostly comprised of the Government Employees Health Scheme so they do not attract GCT as they are in fact Self Insurance arrangements.

The increased costs will make it difficult for companies in general, but more so for the small and medium size businesses, to maintain the same level of coverage or any coverage in some cases. Those who are currently uninsured are also likely to be less willing to purchase health insurance. If companies decide to reduce benefits or cancel coverage, this will have dire consequences for the Public Health system which is already severely challenged.

Group Health Claims paid out by the Insurance industry in 2016 was in excess of $16.9 Billion, approximately a third of these funds represent payments for prescription drugs.

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