



MEDIA BRIEFING

THE MINISTER OF HEALTH

THE HONOURABLE KIM N. WILSON, JP, MP

On Thursday 28th March 2019, 12.30pm

AB Place Media Room

Good afternoon

I am pleased to advise the public today that this year the Government will not be increasing the public's standard health insurance premium, or the premiums for HIP or FutureCare.

The standard premium rate, or SPR, is the premium for the mandated, basic health insurance package in Bermuda. By law every insurance policy has to include this package, and its price is regulated.

This standard premium pays for the standard health benefit, or SHB. This covers care at the hospital and some essential community-based services like x-rays, mammograms and home infusions. The package costs \$355.31 a month. It's the mandated portion of your insurance premium, and that price is not changing in 2019.

As part of the measures that made this possible, we are changing the way we pay for the island's only hospital, so that they can focus more on healthcare and less on generating claims, billing and so on. So the money in the standard premium that is intended to pay for care at the hospital, will be protected exclusively for that purpose.

However, allow me to provide some the context: as we are all aware Bermuda's health system is unsustainable.

We are the 3rd most expensive health system in the developed world and our outcomes, measured by life expectancy, are not among the best. In fact, we are below average. It's clear that we are not spending our healthcare dollars wisely.

Indeed, over the past decade Bermuda has been actively concerned about the pace of increase in healthcare costs. The Bermuda Health Council's National Health Accounts reports that in 2017 as a country we spent \$723 million dollars. This is over \$11,000 per person, and 11.5% of our GDP.

But despite the level of spend and what feels like relentless increases year on year, a lot of work has been done that has successfully averted a much worse scenario. In fact, Bermuda has bent the healthcare cost curve.

In 2010 the National Health Accounts Report predicted that if growth continued at its current pace, by 2017 our total health spending would reach \$1 billion dollars. This is a staggering figure for 64,000 people on 21 square miles. However, we were able to bend the cost curve and since 2011 we have sustained total health spending closer to the \$700 million mark. This didn't happen by accident.

A lot of work has been done to put downward pressure on the forces that push health costs up: our rate of illness, service use patterns, our ageing population and the price of services.

The Ministry of Health is wholly focused on and committed to containing healthcare costs and improving access for all, affordability and patient outcomes. These priorities are the foundation for our upcoming reforms.

In this year's Throne Speech, the Government committed to reforming the way we pay for healthcare. That work is progressing and soon we will be in a position to have more dialogue on what this may look like. But in the meantime, the work to maintain downward pressure on our health costs must continue.

Unfortunately for us, we are swimming against the tide. Our population is very unhealthy and, as we are ageing as well, our health complications deepen and their costs skyrocket.

Lifestyle, preventable conditions like hypertension and type 2 diabetes cause the population to need more and more healthcare. And with that, utilization of hospital grows as more people's care has to be paid for.

Diseases like diabetes and kidney disease have been estimated to cost the country nearly \$78 million dollars a year.

As I said before, this is staggering. Just two preventable conditions consume more than 10% of all our health spending. The cost to the system, to the hospital and to our premiums is untenable.

Such pressures result in higher health costs. So in addition to addressing chronic diseases we also have to reconsider how we pay for healthcare.

It has been long-established that the fee-for-service, or volume-based, payment methods are very costly. While they work well to incentivise some behaviours, they also inhibit a focus on good health outcomes and accessibility of services.

The Bermuda Hospitals Board (BHB) is the largest part of our health system. It provides the most complex care to the largest number of people, 24 hours a day, 365 days a year, without rest or respite through hurricanes and holidays. It is a vital part of our community.

Being by far the largest provider of care, BHB also bears the largest cost, accounting for 46% of all health spending, and over 90% of the standard health benefit (SHB).

In order to ensure the funds intended to pay for the hospital are isolated and to protect our standard premium, this year, as the Ministry of Health, the Bermuda Hospitals Board and the Bermuda Health Council, came together and have created an innovative solution that will reposition the health system directing it onto a sustainable path for the future.

The intent is to move to a more efficient and streamlined payment method that will help reduce fragmentation while supporting the health system's objectives to improve efficiency, maximise quality of outcomes and protect access to necessary care. We will move away from the expensive 'fee-for-service' or volume based payment model, to a more efficient global budget method that brings more parity for insured persons and more efficiency for the hospital and for healthcare financing.

The new approach to finance BHB will allow us to save approximately \$20 million dollars. These savings will be used to contain premium increases and to invest in programmes to reduce the impact of chronic diseases.

At the same time we are exploring options to increase the availability and use of primary and preventive care where chronic conditions can be addressed earlier, saving on expensive hospital stays, and ultimately taking costs out of the system.

There is no magic bullet and this will not solve all our healthcare challenges. But it will help significantly.

Most importantly, this change in BHB's funding makes no difference to the ordinary public. And, actuarially, it makes no difference to private insurance premiums either.

People will pay their insurance premiums just as always; children, seniors and the indigent will be subsidized as before; and access to hospital services will remain as it is now: fully accessible for all necessary care.

Most importantly, BHB stands ready to be part of this important step and is already reviewing how to redesign care delivery to optimise its people, processes and systems to deliver high quality care from a fixed revenue.

To make this change possible, while the standard premium is staying the same this year, the portion that is dedicated to pay for the hospital will shift. This is the mutual reinsurance fund premium, or the MRF, which is embedded in the SPR. This component of the standard premium will be adjusted to accommodate all of the funding for the hospital, plus some adjustments to support chronic disease management and healthcare regulation.

What this means is that whereas currently \$101.97 of your standard premium is transferred to the MRF each month, leaving the balance for insurers to pay hospital claims and the other standard benefits; from 1st June \$331.97 of the standard premium will be transferred to the MRF, and BHB will receive the bulk of this funding to operate the hospital. This, alone, doesn't cover all hospital costs, of course. But the Government's grants of \$145.6 million is the other major revenue source for the hospital.

This is an important change in the way Bermuda pays for healthcare, but a necessary and important measure to keep our health costs down.

I remind you that we successfully averted a \$1 billion dollar fiscal cliff. But we have to keep working at maintaining health costs down. We have to keep innovating and we have to do things differently, if we want to see different results.

Over the coming months and year, my Ministry will continue its active dialogue and consultation with insurers, healthcare providers, employers, other key players in the health system and the public to optimize our country's broader health financing model. It is paramount that we put in place a better way of paying for healthcare to improve efficiency, increase the long-term sustainability of our healthcare system, enable coverage for all and, ultimately, get better health outcomes.

Thank you.