



PRESENTATION BY

**THE MINISTER OF HEALTH
& NATIONAL INSURANCE**

SENATOR THE HONOURABLE BERNARD J. NOTTAGE

TO THE INSURANCE INSTITUTE OF THE BAHAMAS

**BUENA VISTA,
DELANCY STREET
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Intro slide I am indeed pleased to have been invited here today to speak to you on a matter that is at the forefront of the national debate, and of utmost importance to all of us – protecting the health of Bahamians to ensure sustainable national development.

Slide 2 We can all agree that The Bahamas has made significant progress in improving the health of the population over the last 3 decades. Many diseases which once ravaged the population and caused early deaths or long years of disability and hardship have been controlled or eliminated. A child born in 2006 now has an average life expectancy of about 73 years... almost as long as a child in a developed country. We now have a range of health facilities, health technologies and more importantly, teams of highly trained and qualified health personnel which have contributed immensely to our health gains. These gains have led to progress and benefits in many other areas such as a healthy workforce, greater productivity, increased ability of our children to make use of educational opportunities, and increased ability of our adult and senior citizens to participate in social and community activities and enjoy the fruits of their labour.

Clearly, good health is a vital ingredient for individual, community, business and national development.

Ladies and gentlemen, despite these gains, new challenges in health care are facing us as a nation. These challenges include finding the skills, technologies and financial resources to prevent and control the increasing prevalence of lifestyle-related diseases such as diabetes, hypertension and other chronic conditions. We have to confront the burden of HIV-AIDS, which we know is predominantly a sexually transmitted disease, is also preventable and a major cause of illness and premature death, especially in the young. At the same time we must ensure that we have programmes in place to prevent the return of other infectious diseases.

Trauma from violence and road traffic accidents is now a major cause of morbidity and mortality, also in the young.

The potential impact of chronic non-communicable diseases (which are lifestyle related diseases,) is significant. The statistics of my ministry's Health Information Unit indicate that the list of the ten (10) leading causes of death in The Bahamas is dominated by chronic non-communicable diseases that are preventable.

Data for 2003 revealed that 26% persons have high blood pressure and death from hypertensive diseases occurred in 55.6 persons per 100,000 population. 17% of persons suffer from diabetes and death as a result of diabetes mellitus occurred in 34.8 persons per 100,000 population. Death from cerebrovascular diseases occurred in 33.8 persons per 100,000 population, and death from heart disease occurred in 29.1 persons per 100,000 population; placing all of these diseases in the top five (5) leading causes of death.

Additionally, the Bahamas Living Conditions Survey of 2001 indicated that being obese or overweight, which is a risk factor for these diseases, occurred in more than two-thirds of the adult population.

These trends are undesirable. However, I am speaking of impact not only in terms of the contribution of these diseases to statistics on illness and death, but in terms of the economic costs as well. The direct cost of hospitalization and other related services create a financial burden which most health systems cannot afford. Additionally, the cost of disability and ill health as a result of these diseases has direct implications for the workforce in terms of loss of productivity, and for the employee in terms of loss of income.

High blood pressure costs us over \$37 million a year for direct and indirect costs and the figure for diabetes is \$27 million. Those alone cost us over \$60 million and counting.

To overcome these health challenges and ensure our continued progress in maintaining and enhancing good health for all, we must be prepared to invest more in health (as opposed to illness) and to find the resources to make that investment.

Let me be very clear—we need to find those resources because even though good health comes at a price and some persons treat this price as a burden, we must always bear in mind that poor health and sickness carry a greater social and financial burden.

Less than 50% of the population have financial protection through health insurance, so we face the challenge of how to improve access to care by all Bahamians. The Government is committed to ensuring the health of the population, but that same population has more than tripled in the last 50 years, (*from less than 85,000 in the 1950's to over 320,000 today*). In addition, we anticipate not only further increases in population size, but an increasingly elderly population (*from less than 6% being over the age of 65 today to over 20% of the population within the next 50 years.*) As such, the Government realises that the future will bring increasing difficulties in meeting the health needs of Bahamians. Even now, too many lack the funds to pay for care and are forced to borrow or dig deep into their savings to find those funds. For many, the lack of resources means that they are forced to live with the pain and social and financial restrictions imposed by their illness.

As such, finding the resources to meet these challenges in the world of rapidly rising health care costs is a national priority. We recognise that good health in the population cannot be left to luck, charity or individual responses. It requires clear policies and the collective action of the government, businesses such as yourselves, health professionals and other community groups.

Indeed, successive governments have attempted to establish such a policy through the implementation a National Health Insurance Plan. However, the challenge has been in creating a consensus regarding the design and process for implementation, and as a result, for more than twenty years we have talked and talked about it, but alas, we have done nothing. One thing is certain however, the time for just talking is past!

As the Minister of Health, I have been given the mandate by the Government of The Bahamas to do something about it; and as you are aware we are steadily moving forward towards the implementation of the National Health Insurance Plan for The Bahamas.

Slide 3 When the Blue Ribbon Commission was appointed, it was mandated to determine the best mix of health financing for the country that would ensure “...*all patients receive the same quality and standard of health care and the same access to health care regardless of their personal wealth or circumstances.*” After examining many different alternatives including the introduction of Medical Savings Accounts and increasing the percentage of the Public Budget allocated towards health, they recommended the implementation of a National Health Insurance Plan.

NHI is based in the government’s commitment to enhance and spread opportunities for progress and the benefits of that progress to all Bahamians. We recognise that good health is a valuable resource for individuals, businesses, communities and the nation. Additionally, NHI is deeply rooted in our sense of social security and social support so that individuals are not faced with financial catastrophe in times of sickness.

NHI offers the opportunity to take collective action, to find resources to share the cost of care, and to share the benefits of access to care and of good health among all persons regardless of their personal financial situation.

The Blue Ribbon Commission looked at the variety of existing NHI plans throughout the world and placed those within the context of the Bahamas' culture, healthcare needs, geography and socio-economic situation. As a result of those analyses, the Commission recommended 8 key principles to guide the development of an NHI plan for The Bahamas:

- Universal Coverage—the plan should cover all legal residents of the country so that no one is excluded because of age, income or pre-existing health condition;
- Mandatory Membership—the plan should be mandatory so that all groups participate as members and all workers, employers and others with the ability to pay make contributions;
- Comprehensive Benefit Package—the plan should cover a broad package of essential health services that cater to the spectrum of health conditions in The Bahamas;
- Affordable Contributions—contributions should be shared by all groups with the ability to pay;
- Provider Network—the network of health service providers should include professionals and facilities in the public and private sectors;
- Payment Mechanisms—a mix of mechanisms should be considered for paying health providers with capitation as the preferred option;
- Administration—the plan should be administered by the NIB since it already has the network of facilities and professionals for most of the tasks;
- Reserves or Contingency Fund—the plan should set aside a portion of funds in reserves to protect against unplanned cash flow issues.

In determining this course of action, we have examined the experiences of other countries; we have conducted assessments of our current health system; we have consulted with groups representing employers, workers, religious organizations, and health professionals, and we have talked to citizens at large, and individually.

Ladies and gentlemen, some stakeholders have voiced their differences of opinions, disagreements and even strong objections and indeed these are being taken into consideration. However, throughout the length and breadth of The Bahamas, there is overwhelming support among the people for universal health coverage, as proposed in the NHI Plan. I believe that many of you, if not all, have heard stories told by a neighbour, a co-worker, a church member, or even close family members regarding their difficulties in paying for health care.

Inequities in Health Care

Cat Scan Story.

Now, many people do not have private health insurance because they can't afford it. But those aren't the only inequities that exist with our current health financing situation. You are businesses which have to make a profit – so obviously, you want to insure healthy people and try

and reduce your risk by excluding the unhealthy. This may happen through exclusion criteria or because being “risky” means that an insurance premium is too expensive to afford. But these are the people who desperately need health care coverage. And as you well know there are other issues. When it comes to group policies, often a business will change its private health insurance carrier. But when that happens, their employees with pre-existing conditions are no longer covered. I’m an obstetrician, so say for example a woman works for Company D, and they are covered by Insurance Company Adderley. On December 31st the woman finds out she has fibroids. But then on January 1st her company switches its coverage to Insurance Company Cartwright. Now her “pre-existing” condition of fibroids isn’t covered so she cannot get her needed hysterectomy, even though she has worked for the same employer for 10 years, and has been insured the whole time.

Another concern is the confusion which exists regarding what health insurance is vs. sickness and accident insurance. I can tell you that it is a regular occurrence that patients come to my office thinking they have health insurance, but when it comes to paying, they find out what they have instead is an income-replacement form of sickness insurance. So they get a weekly payment of \$50 - \$150 while they are sick, but have no assistance with their actual health care bills. Now, I realise it is up to the consumer to know what they are purchasing, but it happens so frequently that something needs to be done about it.

As a result of those inequities, our Government cannot ignore the plight of its citizens especially those who are most vulnerable, the more than 50% who cannot purchase private medical insurance and others who have inadequate medical coverage. We sincerely believe that the establishment of a National Health Insurance Plan is the best of all the options considered to ensure equitable access to quality health care services.

The BRC recommendations are reflected in the two major goals of NHI:

- ✓ To provide a financing mechanism which, in times of sickness, assists all legal residents regardless of income or health condition, to have access to quality health services on a timely basis, in a dignified manner and without having to face financial distress;
- ✓ To sustain our progress in improving the health of the population through the provision of additional resources for the health sector.

What then are the implications of the Plan for Private Health Insurers? This, of course, is the main issue which you have invited us to address this morning.

Slide 4 As many of you aware, the projected cost of NHI is estimated to be \$234 million. It is important for you to be aware of some of the assumptions that went into that cost. Firstly, that NHI will not cover all health care services desired by the insured population, and secondly, that reimbursement for private providers will be made at the comparative public sector cost rate; and the private provider, will therefore have the option of charging a co-payment to the patient for the residual amount.

I want to emphasise the words “public sector COST rate” – not the charge. The payment rate will be based on the actual cost to the public sector for performing a service, not what they are currently charging individuals. For example, if we determine that the cost of a GP visit in the public sector is \$50, but a private provider wants to charge \$80, then the patient will be responsible for the gap amount of \$30. Similarly if the cost of a specific surgery in the public

sector at PMH is \$1500, but the same surgery is billed at \$2,500 in a private setting, the patient will be responsible for the co-payment of \$1,000.

Slide 5 The NHI Plan will cover the major categories of health service provision of outpatient and inpatient care, prescription drugs, diagnostic services, emergency flights and overseas care not available locally. Therefore, the range of services that are out of the range of the NHI plan will be open to be covered through private health insurance policies.

The main benefits not covered by NHI are dental care, vision care, long-term geriatric care, and overseas care available locally. In addition, NHI will not be covering certain specific services such as cosmetic surgery.

Slide 6 Members of the Institute, we believe that there are four broad categories of packages which your companies may consider offering in the future. These include:

- (1) **Firstly**, a comprehensive plan, similar to most of the group policies you currently offer. This would largely be for individuals who wish to have full private health insurance coverage as well as NHI.
- (2) **The second package** focuses on consumer choice and would be aimed at individuals who wish to have the option of going overseas for care available locally;
- (3) **The third**, is a complementary package focusing on those services available locally, but NOT included in the NHI package - for example, dental, vision, and long-term geriatric care
- (4) **The fourth package** would be supplementary or “top-up” insurance, for individuals who want to ensure they are fully covered for health services – inpatient and outpatient - in the local private sector.

Of course, there will be those individuals who are interested in purchasing a combination of the different packages.

Slide 7 Furthermore, the role which private insurance will play in the financing of health care in The Bahamas after the introduction of NHI will depend on several things:

Firstly, changes in the prices of the policies you offer. As NHI will now largely function as the primary carrier, responsible for the majority of the liability, it is assumed that most of the new policies will have lower premiums.

The second factor that will determine the role of private health insurance is the market’s reaction to these new policies and prices. In our discussions with human resources departments, it has been implied that where employees have been guaranteed health benefits to a certain level, they will not reduce those benefits. For example, if an employee can currently receive 100% coverage at a private facility, the employer will contribute to the NHI plan as well as purchase a supplementary private plan.

Slide 8 Additionally, the consumer base available to PHI may also expand after the introduction of NHI. The Living Conditions Survey of 2001 indicated that, at most, 51% of Bahamians have some form of private health insurance. It is extremely difficult to get information because of lack of reporting and because of aggregation of data. When the data that we do have is analysed more deeply, by examining the percentage coverage by income level, it is clearly demonstrated that PHI is too expensive for many individuals. That may change after NHI is implemented.

For example, in a scenario where a private health insurance policy would currently cost an individual \$150, if his contribution to NHI is only \$30, and a supplementary PHI plan is available for \$50, a total combined cost of \$80 may be well within that individual's means.

Slide 9 In summary, the way in which we believe the private health insurance market will be affected is shown in this table.

Essentially, as in Scenario 1, if your companies offer policies at the same rates, but individuals and employers must contribute to NHI as well, it is likely that the percentage of the population covered by PHI will decrease.

However, as shown in Scenario 2, if your companies offer supplementary policies at lower cost, it is likely that either market coverage will remain the same, or increase. This is likely to occur as people become better educated about the benefits of pre-payment for health services through their membership in NHI. It is also worth noting that many health insurance companies have indicated they currently have a very low profit margin. The types of policies that may be offered after NHI is introduced may be of lower value, but due to the substantially reduced liability, offer a higher profit margin.

Slide 10 In fact, the expansion of the private health insurance market is exactly what happened in many countries after the introduction of National Health Insurance. Indeed, you can see that in certain countries, such as France, over 85% of their population has some form of private health insurance.

Yet another possible implication for the private health insurance market is the establishment of new partnerships with an NHI system. For example, during a discussion with one of your members, the possibility of a shared network of overseas providers was raised.

Another area for discussion is the potential opportunity for private insurers if the health-care benefits under motor vehicle insurance are increased.

Overall, in an NHI environment, private health insurance providers stand to gain many new opportunities for increased clientele and greater profits.

Slide 11 Moreover, I envision that a NHI system together with the anticipated expanded PHI market will result in:

- (1) Improved access to public & private health care;
- (2) Improved access to high cost care when needed;
- (3) More money to improve quality & timeliness of health services;
- (4) Sharing the cost among all persons so that the burden is lighter on each;
- (5) And finally, a healthier population which will lead to less days of work lost due to illness, greater productivity and more savings & resources to spend on other goods and services.

Slide 12 In conclusion, I would like to thank you all for inviting me here today to share with you the Government's vision for a healthier Bahamas through the establishment of a National Health Insurance Plan. As I am sure you are aware, the implementation of such a plan is a complex task which requires many analyses and debates. As we move forward, I would like to emphasise how improving the process of mutual exchange of information, will help to ensure the successful co-existence of an effective and efficient NHI system with a strong PHI market. I assure you that

we will continue to consult with your groups as the final details of the NHI plan are put into place and I want to invite you to provide us with your ideas, individually and collectively.

Ladies and Gentlemen, I have come this morning to invite you to partner with the government in doing what all good people must...come to the realization that it is what we do for the least of our brethren that is the true measure of our humanity. We must have One Bahamas, not two and we must have One Health not two. This is a chance to bring about a revolutionary change in the social welfare of our people. It is they who will ensure the success of our country and it is up to us to be the facilitators of their journey. I appeal to your humanity, to your ingenuity and to your creativity.

Again I would like to thank your President, Ms. Nadine Frazier, executives and members of the Insurance Institute of the Bahamas for this opportunity.