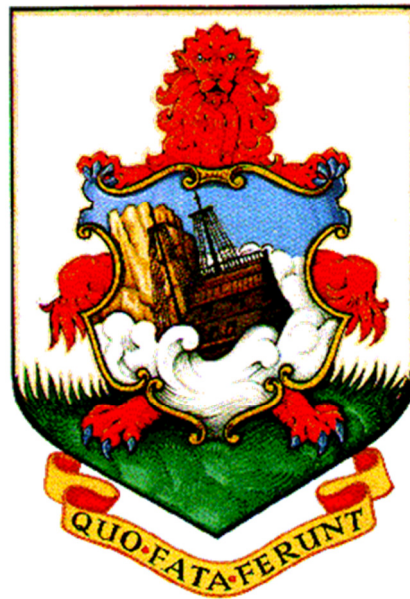


A BRIEF OF A BILL ENTITLED THE
**HEALTH (MISCELLANEOUS) AMENDMENT ACT
2017**



Prepared for

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Minister of the Health and Seniors

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Health (Miscellaneous) Amendment Act 2017

Overview of the Bill

Mr Speaker, it is with pleasure that I bring to this Honourable House today, the Health (Miscellaneous) Amendment Act 2017. And it brings me genuine pleasure because, for the first time I'm aware of, we are reducing the standard premium rate and the HIP and FutureCare premiums.

A reduction of \$4.07 per month to apply across the board to these plans. We hope this will assist some persons to maintain coverage and will encourage the public to see the effects of the broad measures we have been taking to reduce healthcare costs.

Mr Speaker, this Honourable House will be aware that we have been making every effort to reduce healthcare costs and, at last, are starting to see greenshoots.

The most important indicator telling us we're on the right track is the National Health Accounts report. This report monitors annual total health spending and the latest report shows that in 2011 health spending began to level off, and in 2015 total health spending actually went down by 1.1% for the first time on record. We finally bent the cost-curve – and we're the first country to do so, compared to the OECD.

Mr Speaker, this shows that we are moving in the right direction, but we're the first to recognize that at \$11,102 per capita health expenditure, we are still spending too much and have some way to go to achieve sustainability.

Nevertheless, it is a pleasure to be able to see the 1% reduction in total spending reflected in a similar reduction in the premiums for the standard health benefit and the Government's low-cost plans. We hope to see this reflected in private plans also.

Mr Speaker, in addition to reducing premiums, this Bill brings a number of amendments related to health insurance, standard health coverage and fees, which have presented as necessary over the past year. Rather than pursuing piecemeal amendments, they have been consolidated into a single Bill.

Therefore, the Health (Miscellaneous) Amendment Bill amends 14 statutes to achieve the following:

- a) Adjust the Standard Premium Rate (SPR), the Mutual Reinsurance Fund (MRF), HIP and FutureCare premiums;
- b) Adjust benefits and move dialysis and kidney transplants to the MRF;
- c) Remove the 10-month maternity cover exclusion;
- d) Limit subsidy payments to the amount appropriated by the Legislature;
- e) Have Standard Health Benefit (SHB) fees recommended by the Bermuda Health Council;

- f) Reduce termination for non-payment of HIP and FutureCare from 3 months to 60 days; and
- g) Revoke open enrolment periods for HIP.

Mr Speaker, I will explain the changes in turn.

Standard Premium Rate, Standard Health Benefit and MRF

In 2016, the Health Council undertook a review of the coverage under SHB and recommended benefit changes to incent more appropriate use of healthcare resources; these were priced by the Council's actuaries and are aimed at enhancing the quality of care and reducing cost in the longer term. The outcome of the changes results in the SPR decreasing by \$4.07, down to \$334.00 per month.

To remind everyone, the SPR, or standard premium rate, is the price of the basic package of insurance that all insurance policies must include, by law, and which all employers must provide to their employees and non-working spouses. The Government subsidizes this basic coverage for children, indigent and seniors.

The SPR is made up of two components: the standard health benefit (SHB) and the mutual reinsurance fund (MRF). This year's changes to the SHB and MRF components result in premium adjustments so that:

- the SHB component will decrease from \$267.35 to \$242.43; and
- the MRF component will increase from \$70.72 to \$91.57.

Overall, this means the SPR will decrease from \$338.07 to \$334 per month.

Mr Speaker, the new premium accommodates an increase in utilization, forecast at 11%. However, other measures taken have enabled the reduction in premium, namely:

1. BHB outpatient service fees for diagnostic imaging will be reduced to be on par with community-based fees set by the Bermuda Health Council using relative value-based methodology.
2. Two new benefits will be added to the standard health benefit to help reduce healthcare costs and premiums: palliative care in the home setting, and coverage for select oral chemotherapies which are more cost effective.
3. There will also be an increase to the artificial limbs and appliances benefit from \$30,000 to \$100,000. Although this sounds like a lot, it adds only \$0.67 to the premium.
4. Coverage for dialysis, kidney transplants and anti-rejection drugs benefit will be transferred from SHB to the MRF to improve pooling for these life-saving treatments.
5. The fees for dialysis will be reduced and the new fees move towards a more transparent, standardized value-based pricing methodology.

6. The kidney transplant benefit limit will increase from \$30,000 to up to \$100,000. This means that claims for kidney transplants up to \$100,000 will be covered by the MRF. Consultation with nephrologists, insurers and overseas hospitals indicated that the \$100,000 coverage will enable more persons to afford transplants, which will reduce the need for dialysis (which costs \$200,000 per year currently). The transfer to MRF and benefit limit increase will result in a MRF increase of \$2.74.

Mr Speaker, in addition to these changes in mandated insurance benefits, adjustments have been made to the transfers made out of the MRF to support low-cost insurance plans, hospital care and healthcare regulation. Specifically:

7. HIP will receive an additional \$6.53 per month from the MRF. The HIP claims experience is severely compromised by the risk it absorbs for the health system. Annual capital injections to support the plan help to keep the HIP premium affordable for a population whose health status and consequent claims experience often exceeds the SPR. My colleagues should note that HIP's Financial Assistance client claims are approximately 400% higher than other HIP clients. This transfer will assist the funds to maintain solvency.
8. FutureCare will receive an additional \$2.50 transfer from the MRF. The FutureCare claims experience accounts for the risk absorbed by government for the senior population. Annual capital injections to support the plan help to keep the FutureCare premium affordable

for a population whose health status and financial ability are often compromised. The patterns of need and utilization in FutureCare's Financial Assistance clients are also significantly higher than other FutureCare policy holders, requiring additional funding support to maintain the premiums at an affordable level.

9. The Council will continue to receive \$1.09 per month to fund operations.
10. The MRF transfer to BHB will decrease by \$3.24. The transfer will continue to support the funding of operations and care delivery as part of its strategic plan.
11. The transfer for the primary care pilot, or the "Enhanced Care Pilot", will be reduced by \$2.82 in light of updated forecasting. This pilot programme is designed to assist under and uninsured persons to manage chronic non-communicable diseases. The pilot aims to reduce unnecessary and costly hospitalizations by delivering timely, comprehensive care in the primary care setting, inclusive of medications essential to controlling these conditions. This is a best-practice approach to patient care, with a growing body of evidence of effectiveness in cost reduction. Over 65 patients are enrolled in the programme to date.

Mr Speaker, I understand that these changes can seem convoluted even to an informed professional. However, the Bermuda Health Council publishes annually the Actuarial Report and supporting explanatory documentation, which is available on its website.

Maternity coverage

Mr Speaker, in the course of developing these proposals and recommendations, consultation with health insurers and providers highlighted the need to remove the exclusion for maternity care due to the risk this exclusion presents to unborn children and expectant mothers. Insurers and stakeholders support removing the 10-month exclusion. This does not have an impact on SHB or the SPR.

Subsidy paid to hospital

Mr Speaker, the next set of changes concern the way subsidy is paid to the hospital.

My honourable colleagues will be aware that the Ministry's budget has been reduced for fiscal year 2017/18, resulting in a \$25 million reduction in the allocation for the Bermuda Hospitals Board.

To enable operationalization of this reduction, the Health (Miscellaneous) Amendment Bill amends Section 2 of the Health Insurance Act to remove the Government's exposure to claims for subsidized persons, while providing stability in funding to BHB. This serves to retain the patient subsidy provisions, but provides a block grant to BHB for delivering the service.

BHB understands that in fiscal year 2017/18 the Government will pay the full amount budgeted under Head 24 of \$120.2 million. This change is retroactive to 1st April 2017.

Fees for standard health benefits

Mr Speaker, the fees for standard health benefits have long needed an in-depth overview. The degree of disparity between hospital-based and community-based fees has caused concern at times and, while I strongly believe that the overheads in operating an accredited, 24-hour facility must be reflected in the fees, we understand that there has to be a more systematic and transparent way of setting all fees.

To this end the Health Council has established a methodology to set the standard health benefit fees it regulates, using a transparent, standardized value-based methodology that reflects to cost of providing a service in Bermuda. This methodology is proving successful in securing more rational fees on par with international standards.

Mr Speaker, the Health (Miscellaneous) Amendment Bill introduces a change requiring the Health Council to recommend fees to the Minister for all standard health benefits. This will include all SHB services delivered at the hospital as well as the community. This ensures there is proper scrutiny and objectivity in the fee-setting process and will help ensure budgets and premiums are set appropriately to help contain healthcare costs.

HIP and FutureCare

Mr Speaker, as I indicated already, the HIP and FutureCare premiums will be reduced by \$4.07 per month. This will make the new premiums: \$429.24 for HIP, and \$500.14 for FutureCare.

The change has been made possible by the adjustment in transfers from the MRF to offset utilization increases primarily.

In addition, the Health (Miscellaneous) Amendment Bill introduces new benefits, with the deliberate intent of reducing healthcare claims for these the HIP and FutureCare plans. Specifically:

1. The existing FutureCare coverage for eye tests and glasses will be portable, or payable overseas. This change is brought following requests from policy holders and analysis to support that it will not increase claims.
2. The kidney transplant benefit for HIP and FutureCare will be set at \$50,000 so that, together with the MRF coverage, clients have a maximum of \$150,000 coverage for transplants that will enable coming off dialysis. In the long run this will be a cost-saving to the plans and the health system, and a much better option for patients.

Lastly, **Mr Speaker**, in the course of the year, the Health Insurance Committee, which oversees HIP and FutureCare, determined that the current provisions regarding termination of policies and open enrolment periods require updating.

Under the current Legislation individual policy-holders have up to 90 days to pay outstanding premiums without a break in coverage despite their premiums. This practice exposes these plans as any claims that occur during the 90 days of non-payment of premiums can be resubmitted to HID once the outstanding premiums have been received.

After reviewing and considering this impact and industry standard practice, it was determined that these Government plans will operate more efficiently by reducing the termination period to 60 days. This Bill introduces this amendment.

With respect to open enrolment, **Mr Speaker**, the current legislation allows two periods of time each year for Open Enrolment (September 1st-15th and March 1st-15th) where an individual can apply for HIP. In fact, the long-standing practice for at least 11 years has been for HIP to have on-going open enrolment and has never denied coverage to anyone, as the plan's intent is to make health insurance accessible to anyone. Accordingly, the Health (Miscellaneous) Amendment Bill removes the open enrolment periods to regularize current practice.

Closing

Mr Speaker, this brings my overview of the Bill to a close.

To summarize, the Health (Miscellaneous) Amendment Bill 2017:

- a) Reduces the SPR, HIP and FutureCare premiums;
- b) Adjusts benefits and move dialysis and kidney transplants to the MRF;
- c) Removes the 10-month maternity cover exclusion;

- d) Limits subsidy payments to the amount appropriated by the Legislature;
- e) Establishes for the SHB fees to be recommended by the Bermuda Health Council;
- f) Reduces termination for non-payment from 3 months to 60 days; and
- g) Revokes open enrolment periods for HIP.

Mr Speaker, I hereby introduce the Health (Miscellaneous) Amendment Act 2017 to this honourable House on behalf of the Ministry of Health and Seniors.

Thank you, **Mr Speaker.**