



### Coalition News

Seventh in a series of eight articles on National Health Insurance

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WHAT SHOULD BE DONE TO PROVIDE BETTER HEALTH CARE COVERAGE FOR ALL BAHAMIANS – Find out where the National Coalition of Health Care Reform stands on the issues related to the proposed NHI!

*The National Coalition for Health Care Reform (NCHCR) has repeatedly noted that it supports improvements to the health care system that will bring tangible and sustainable benefits to the Bahamian People. We are not simply about objecting to the creation of a National Health Care Plan. What we do believe however is that there is a better, more efficient, more effective way to ensure that Bahamian get access to the best possible health care at the best possible prices.*

*This series of articles will take an in-depth examination of the key principles of the NCHCR and demonstrate what significant issues we have with the current plan proposed by Government. We will also point out alternative approaches that we believe will lead to real and tangible improvements to the delivery of health care in our Country.*



### Viability and Sustainability

#### Part Seven of the series highlights the seventh principle in our documented Statement of Purpose.

#### Statement of Purpose Seventh Principle

The National Coalition for Health Care Reform (NCHCR) fully embraces the notion that all Bahamians must have access to quality health care services. The NCHCR maintains however that the formulation of a national health care plan must be predicated upon core principles that would ensure that we collectively make best use of public and private resources dedicated to the nation’s health care.

#### The Key Issues

**The seventh guiding principle of the Coalition is that plan should be viable and sustainable..**

To this end, the NCHCR has established eight core principles that we believe must represent the foundation of any proposed national health care plan. In this installment of our ongoing eight part series, we examine core principle number seven, which states that a universal health care plan for the Bahamas must be financially viable and sustainable over time – while not diminishing opportunities for economic growth and the creation of new jobs.

*A plan should be established which is financially viable and able to sustain itself over time. It should not diminish nor discourage prospect of consistent economic growth, the creation of new jobs, and the increase in entrepreneurial opportunities. Nor should it create an undue burden on the people or the government of The Bahamas*

Put simply, while Bahamian residents and corporate citizens will be required to commit more financial resources to the health care system, the NCHCR wants to ensure that we plan and introduce a scheme that does not over time become an unsustainable monster that costs Bahamian citizens more and more, but ends up delivering less and less.

This is an extraordinarily difficult task. Indeed, many countries with existing national health care plans face the ongoing challenge of trying to maintain the solvency of their universal health care schemes. They find that costs in the health care network continue to rise significantly faster than the rate of inflation; therefore citizens are being asked to pay higher and higher taxes and premiums for an ever shrinking pool of services. The Bahamas, however, is fortunate in that we can learn from the experiences of other jurisdictions and thus shape and introduce a plan that can be sustainable – one that can avoid undue burdens on the economy and its citizens in the years to come.

The current National Health Insurance (NHI) task force has appreciated the need for affordability. In fact, the Blue Ribbon Commission responsible for drafting the NHI had a policy mandate to implement a contributory rate that “was affordable” to Bahamians. To this end, the NHI task force came up with a formula that requires contributions of 2.65 percent of salaries from both the employer and the employee (for a total of 5.3 percent) as premiums into the national health insurance fund.

These premiums along with prescribed interventions from public treasury are expected to raise some \$235 million in the first year, which the NHI task force has determined to be sufficient to cover the claims against the NHI fund.

So is the proposed NHI plan affordable, viable and sustainable? One can reasonably argue that the 5.3 percent gross premium contribution (employer and employee combined) will not in and of itself mean financial and economic doom for the country and its citizens – although it will not certainly be painless as companies will restrict new hirings and salary increases to compensate for the increase in operating expenses. So the NHI plan as proposed would likely pass the “affordability” test.

An examination of the viability and sustainability issue however leads to much more troubling conclusions: The \$235 million that is expected to be raised seems woefully insufficient to cover the annual health care claims under a proposed comprehensive health care plan. In 2001, the NHI’s Blue Ribbon Commission report estimated that expenditure on health care was approximately \$343 million. Thus, the sum of \$235m to be raised by the NHI plan in the first year would not have even covered the 2001 health bill, much less the bill for 2007 and beyond. How can the claim for comprehensive coverage be justified when first year intake is projected to be LESS THAN the Bahamian health care bill in 2001?

Further, the NCHCR has no evidence of any medium and long term projections for the fund. No information has been put into the public domain that projects what the total bill of NHI will be in the second and subsequent years. Clearly, the system will face increasing costs occasioned by greater demand and higher maintenance costs of newer facilities. Clearly, the proposed level of contributions via the prescribed payment rates will not be sufficient to cover the increasing expenditure outlays.

The NCHCR also has a grave concern on the methodology for determining the pricing and costing for a proposed National Health Insurance system in the absence of a full determination and disclosure of all government subsidies and direct payments into the system. This is important for two reasons: First, it is much easier to hide costs (and thus inefficiencies) in a system that is heavily subsidized and devoid of proper cost accounting. The public health care system gets almost all of its financial resources through the central government's budgetary and accounting processes. This means that it is difficult to determine what represents the "true" cost of public health care provision as the current mechanisms for public accounting and reporting do not readily facilitate same.

Second, the NHI plan will include the participation of private providers who will be paid based upon a schedule for costing in the public health care system. As mentioned above, the NCHCR is not convinced that the NHI task force can realistically put together such as costing. Moreover, unlike the public health care system however, the private providers will have to cover the costs of their administration, their current and future capital outlays, and maintain a fair return on investment. Will the NHI proposed schedule of payments to private providers reflect these realities and considerations if the resource allocation to the public system is not transparent and factored into the cost of service provision?

Thus, the NCHCR has serious reservations as to the viability of the proposed NHI plan even at the very outset. It should be no surprise then that we question the sustainability of the project over the medium and long term. In fact, even IF we could be convinced that the \$235 million provision is sufficient to cover the plans at the outset, the NHI task force has not been able to provide for public scrutiny (despite our repeated requests for same) any medium to long projections as to the costs and service provision under the NHI plan.

There has been no analysis to compare the impact of the system on a booming economy, or an economy facing a severe recession. There has been no assessment produced to show how shifts in population throughout the country as a result of planned Family Island resort projects will impact the capital and operating resource requirements for a national health care network. This failure to produce medium and long term projections demonstrate a critical failure in the planning process and it means, in essence, that we cannot say for sure what the NHI project will be expected to cost Bahamians even in the next three to five years.

But again, even before we consider the long term prospect, we are still left with concerns about the financial viability of the project at the outset: Will the 5.3 percent employer/employee salary contributions and the \$235 million anticipated revenues be sufficient to provide comprehensive health care services to the Bahamian public at the outset?

The NCHCR believes that the fatal flaw in the proposal stems from the attempt to provide a plan that is both "comprehensive" AND "affordable". Perhaps the NHI task force was put in an impossible situation by being asked to provide both an affordable and a comprehensive plan, when they should have been tasked instead to provide options for both.

There are many national health care plans around the world that seek to provide comprehensive care to their patients. Invariably, these types of plans are expensive and call upon their citizens and the business community to pay a significant amount of their earnings to support such a system. Researchers refer often to the Singapore and French models as examples of functioning comprehensive health care networks; these systems however take approximately 12 and 16 percent of gross salaries (split between employer and employee) to fund their respective NHI plans. And even with these large contributions, the French system in particular is consistently challenged to find more resources to meet the demands on their system.

Contrast these experiences with our proposed 5.3 percent contribution. Not only must these modest contributions (when compared to other national NHI systems) provide full and timely health care services to all Bahamian residents, it must also fund the replication of many vital services throughout our extensive and scattered family of islands. From this perspective, it becomes difficult to conclude that the proposed level of contributions can provide Bahamians with a truly comprehensive health care system when experiences from elsewhere show this to be a much more expensive proposition.

## THE WAY FORWARD

The NCHCR believes that the discussion on viability and sustainability must form the foundation for any decision to move ahead with a national health insurance system. These deliberations cannot simply be incidental to such a policy determination. The NHI task force must not be allowed to take a stance that is akin to saying: “Well, we’ll just get it started and see what happens!”. Instead, policy makers must ensure an open and transparent analysis of the medium and long term impact of any national health care proposal – along with a proper economic impact assessment. To this end, the NCHCR recommends the following:

- The determination must be made as to whether the policy aim is to provide an inexpensive health care coverage network OR a comprehensive health care coverage network. The former would be a lower premium rate but very limited coverage, while the latter would certainly mean higher pay-in rates, but more extensive coverage. We must move away from the fallacy that we can obtain BOTH at the same time.
- The cost projections and underlying assumptions must be extended out for a minimum of fifteen years. These projections must be broken out into at least three different scenarios (base case, best case, worst case) that would show the impact on payment rates and benefits coverage, given divergent economic growth rates and/or natural or man-made catastrophes.
- The NHI analysis that is presented must show the long term projections and must factor in the **total** cost of public health care delivery. This will more honestly demonstrate the full cost of the NHI to the Bahamian public and allow for a more informed decision on the desirability and impact of this approach to health care reform.
- A thorough economic impact assessment must be undertaken before a decision is made to introduce the NHI. The assessment may point to a need to lower the premium rates and thus the benefits at the outset in order not to upset economic growth; alternatively it may support the government’s assertion that NHI as proposed will be easily absorbed by the economy. However, right now, we do not possess any sort of reasonable analysis on the likely impact. This must be addressed as a matter of priority.
- Except for indigent population, all users should pay some measure of co-payment for all services. This has a twin affect of supplementing the income but also reducing abuse.

The NCHCR reiterates its commitment to see the implementation of a plan that assures the access of all Bahamians to quality and timely health care. However, we do recognize that an initiative this important cannot be rushed. We must take the time to undertake the proper analysis and provide realistic expectations as to what can be supported by the Bahamian health care infrastructure, the Bahamian resident and the Bahamian economy. Initially, this may mean that we have to limit the plan to critical care and to services for the poor, elderly and indigent. Conversely, we may very early on be able to support a fairly comprehensive health care plan. However, unless and until the NHI task force and our national policy makers commit to doing the necessary ground work, none of the stakeholders can have any confidence on the impact for better or worse of any proposed national health insurance scheme.