

The Bahamas Insurance Brokers Association's (BIBA) position on the proposal for National Health Insurance

March 2006

Having reviewed the Blue Ribbon Commission's report and attended a number of informative meetings conducted by the Ministry of Health, the Bahamas Insurance Brokers Association would like to offer its comments on the proposed National Health Insurance scheme.

First of all, let us begin by saying that the Association agrees with the intentions of National Health. People should have access to health care regardless of their ability to pay. However, health care is very expensive, whether delivered privately or through our current public health care system.

Private health insurance has assisted many people over the years by ensuring that they had access to health care. In fact many of these insured individuals are alive today because they had private health insurance, and therefore access to the best care available.

It cannot be denied that this is not true for many of our fellow Bahamians. Private health insurance, whilst comprehensive in most cases, does not cover everything. Policies incorporate exclusions and limitations that prevent an insured from receiving care, or in many instances terminate coverage at a time when they need it most.

As the cost of delivering health care continues to rise, the cost of providing insurance for that health care has also risen. Premium for private health care continues to soar, and many insureds find it hard, if not impossible, to continue to pay. Once they drop their private insurance, a further burden is placed on the public health care system.

The detailed report produced by the Blue Ribbon Commission addressed all of the above concerns. The Commission concluded that a "compulsory social health insurance as the principal method of health care financing" would be best for The Bahamas. They went further on to state that National Health Insurance should be "*comprehensive in its benefits; affordable; inclusive of public and private providers; funded by capitation payments; financially self-sustainable.*" (Page vii)

We have stated that the Bahamas Insurance Brokers Association is not opposed to the idea behind National Health. However, it is the intention of the proposed programme to ensure that there is "equity in access" in that **all** health care received in the Bahamas is initially through this mandatory programme.

We would all agree that people should not starve and should sleep with shelter over their heads. However, if we carry that premise a step further and say everyone must eat grits and tuna, and sleep in a pink three bed, two bath concrete dwelling, how is that different from what this National Health scheme is trying to do? It would certainly be nice if everyone could eat the same foods and had the same standard dwelling, but it is not practical in the world we live in.

Yes, we should all have access to health care, but why must that access be uniform?

The National Health Scheme, as proposed by the Blue Ribbon Commission, would have far reaching implications- more than just the provision of health care. The Bahamas Insurance Brokers Association (BIBA) sees a major impact in the following areas:

1. The private health insurance industry;
2. The provision of private health care including the impact on physicians, pharmacies, laboratories and private clinics;
3. The creation of an income tax environment;
4. The overall quality and availability of health care.

I - The Private Health Insurance Industry

Once National Health insurance is introduced, there will be an almost immediate reduction in premium volumes. As outlined, initially a worker earning \$24,000 per annum will contribute \$53 per month towards National Health Insurance, whereas someone earning \$60,000 or more will contribute \$132.50. The employer will contribute an equal amount.

If the average private health plan costs is \$131, as the Blue Ribbon Commission report claims, and if the majority of that risk will now be shifted to National Health, the most private health insurers would be able to charge for a supplemental plan would be in the area of \$60. This automatically results in a loss of income in excess of 50%! However, this does not take into consideration the fact that many insureds or employers will discontinue their private insurance, as the expense would be too high!

Reduced premium volume translates to reduced profits and a reduction of benefits available in order to reduce undue exposure to risk. Reduced premium volumes would also result in a widespread loss of jobs throughout the industry, - within the insurance companies themselves, as well as within brokerage and agency firms.

Net effects would include:

- Reinsurers pull out of the market as they have less spread of risk. Those that remain charge more premium to the insurer thus eroding their bottom line further;
- Insurance Companies, who have been great corporate citizens will no longer be able to sustain their charitable donations to the community;
- Premium tax would be severely reduced;
- Business license fees would also reduce;
- Many insurance brokers would have to cease operations;
- Private insurers would pull out of the market or cease writing private health insurance altogether.

Net Result: The removal of a sector of the economy that is currently working. This sector contributes greatly to the overall GNP.

This is not an idle worry; this is a fact. Both Canada and the United Kingdom have had limited private insurance availability, and this sector is just now, after some 30 years, beginning to grow back as people grow weary of the long waits associated with their socialized medicine. Can our economy afford this loss?

II - The Provision of Private Health Care Including the Impact On Physicians, Pharmacies, Laboratories and Private Clinics

The Blue Ribbon Commission reports states "it is interesting that there are no obvious reasons for the growth of private health insurance in The Bahamas". The report goes on to further say that it appears that "the primary reason for the growth of the private health insurance industry is that Bahamians believe quality of health care can only be acquired in the private sector."

What this report fails to recognize is that in 1979, there was listed in the Bahamas Handbook a total of 53 physicians, most of whom provided primary care. Today there are over 178 physicians listed, with a wide variation in specialties. These physicians caused a correlating improvement in the technology, health facilities, and growth in the ancillary services available in The Bahamas. As compared to our population growth, which was 199% from 1979 to 2005, the growth in the health care industry was in excess of 225%.

It is our opinion that the growth in health care experienced in The Bahamas over the last 30 years has been because of the increased ability to pay for it, due in large part to private health insurance.

There is no doubt that National Health Insurance will stifle or perhaps even reverse this growth trend. Every year, Canada loses 10 to 15% of their trained medical practitioners to other countries.

Will the government be satisfied with replacing the loss of qualified Bahamians with foreigner physicians? Will we?

Can we depend on Government to invest hundreds of thousands of dollars to bring in new medical technology and equipment when they will also be preoccupied with maintaining the cost of National Health?

Note: Government wants the National Health Insurance scheme to be self-sustaining.

III - The Creation of an Income Tax Environment

What is apparent throughout the Blue Ribbon Commission report is that the cost of providing public health care, which we currently have, has reached prohibitive levels. There is no doubt that some alternative way of funding this system needs to be found.

However, instead of proclaiming the need to introduce income tax, the Blue Ribbon Commission has re-vamped the whole health care delivery system *and* introduced income tax.

What other larger, richer countries have failed to do, we somehow think we can.

We have not yet seen the actuarial report and studies that determined that a total of 5.3% of income, up to a ceiling of \$5,000, would be sufficient to cover all that the proposed National Health Scheme envisions. However, we do feel that the estimated cost of \$231 million is far too low. Realistically, we estimate that the cost will be in excess of \$400 million. Furthermore, if the National Insurance Board was to administer this plan, and care was to be administered within the current public health system, we see –

- Administration costs that are far too high for this type of scheme. Administrative costs illustrated represented 17% of income, which is 8% more than what it should be. The BRC report itself states that the "*cost of administering the NHI system should be less than 10% of the income to the system*". (page 4)
- Inefficiencies within the delivery of healthcare. The BRC report admits that "*feasibility of the NHI system depends largely on the affordability of service and how costs can be controlled*" (page xv), and further states "*the cost of service in the public health sector is higher than it should be and is related to inefficiencies in the health care institutions.*"
- Abuses of coverage leading to over utilization and higher expenses.

This in turn will result in higher contribution rates being necessary, as Government wants the National Health Insurance scheme to be self-sustaining.

There are enough examples around the world that proves that your infrastructure must be in place before the implementation of this type of scheme.

IV - The Overall Quality and Availability of Health Care

The Blue Ribbon Commission report contains a quote supporting its position of why National Health Insurance is necessary – "Only national health insurance can squeeze the bureaucratic waste out of health care and use the money to give patients the care they need".

In every national health scheme in existence, there exists long waiting times for care. With the private insurance market coming to a virtual halt, there is the real danger that many of the advances made in the private health care industry in our country will come to a stand still. New technology, medicines, equipment, facilities will not be as forthcoming as they were in the past.

In addition, the public health care system will see a tremendous influx of persons who were previously treated privately, thus resulting in a shortage of health care availability.

The BRC report recommends capitation as the method of reimbursing physicians. However, the Ministry of Health has recently announced that physicians may charge a co-payment in addition to the fees that will be covered under the National Health scheme. What, then, happens to the mandate for care to be equally accessible?

The New York Times recently had an article which indicated the Canadian national health insurance scheme was gradually breaking down as private institutions had started to charge for care so that patients who would otherwise have to wait months or even years before receiving treatment could obtain care immediately.

If implemented, how many years will go by, how much damage will our economy and health care delivery system incur, before we too realize that we made a mistake?

SOLUTIONS:

Having discussed at length what is wrong with the proposed National Health Insurance plan, we would like to propose some alternatives.

It is our position that the current system of private health insurance works. We will not dispute the fact that it has its flaws, but many of these flaws can be corrected.

Solution 1. Make private medical insurance mandatory with at least a “basic plan” coverage (what would have been covered under National Health).

The BRC reports that currently only 20% of employers provide group health insurance to their employees. If this was increased to 100% of those persons employed it would-

- Increases the tax base;
- Provides insurance companies with a wider spread of risk-
 - It can then be mandated that certain things be covered such as pre-existing conditions, conversion of coverage, coverage of all persons within a group (no one excluded because of conditions), etc.
 - Premium tax can be increased, thus providing government with a fund to cover senior citizens and indigents;
- Increases employment, charitable donations to community, mortgage loans, etc.

Solution 2. Reduce the level of coverage under National Health Insurance to provide for catastrophic illnesses only.

- This option does not erode or undermine current private insurance industry.
- Easier to sustain with contributions from the workforce.

Solution 3. Implement National Health for retirees, indigents, the unemployed and substandard risks only.

- This option does not erode or undermine current private insurance industry.
- Easier to sustain with contributions from the workforce.

- Provides national health coverage where it is needed.

It is evident that our current systems, administration, and present public health institutions are not ready for a National Health Scheme as proposed. We suggest that one or a combination of the above solutions be implemented initially. In addition, the increased tax base that will be provided through implementation of solution number 1, above, will provide funds for the building of new institutions (hospitals).