THE STEERING COMMITTEE ON NATIONAL HEALTH INSURANCE

REPORT ON THE COMPONENTS, COSTS AND FINANCING OF NATIONAL HEALTH INSURANCE

EXECUTIVE SUMMARY

SEPTEMBER 2005

Acronyms and Abbreviations

ALOS	Average Length of Stay
BNDA	Bahamas National Drug Agency
BRC	Blue Ribbon Commission
CMO	Chief Medical Officer
DEHS	Department of Environmental Health Services
DPH	Department of Public Health
E’ee	Employee
E’er	Employer
EPHF	Essential Public Health Function
GBHS	Grand Bahama Health Services
Gov’t	Government
HCP	Health Care Provider
HSSP	Health System Strengthening Project
ILO	International Labour Organization
LCS	Living Conditions Survey
LOS	Length of Stay
MAB	Medical Association of The Bahamas
MOH	Ministry of Health
MSSCD	Ministry of Social Services and Community Development
NHI	National Health Insurance
NIB	National Insurance Board
PAHO	Pan American Health Organization
PHA	Public Hospitals Authority
PHI	Private Health Insurance
PMH	Princess Margaret Hospital
PPM	Provider Payment Mechanism
PSR	Public Sector Rate
RAND	Rand Memorial Hospital
SRC	Sandilands Rehabilitation Centre
WHO	World Health Organization
WinSIG	Windows Management Information Systems

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Executive Summary

1. Background and Overview of National Health Insurance for The Bahamas

Following Cabinet's consideration of the Blue Ribbon Commission Report (2004) on National Health Insurance (NHI), a Steering Committee was established to undertake the preparatory activities for implementing the recommended plan. This is the first report of the Committee and it responds to Cabinet's request for **estimates of the cost and financing requirements of a Comprehensive Package of benefits**. The Report also provides data on the likely impact of varying some key factors.

The BRC Report made 8 key recommendations for the design of NHI:

- **Universal Coverage**
- **Administration by NIB**
- **Salary-based contributions**
- **Capitation as the preferred mechanism for provider payments**
- **Mandatory membership**
- **Comprehensive Benefits Package**
- **Reserve fund for contingencies**
- **Public and private providers invited to participate in NHI**

2. Methodology

i) The Committee pursued its tasks using a mix of methods including reviews and projections based on existing data on population, labour force, earnings, contribution and compliance levels in the NIB, health expenditure and health services utilization. The Committee also relied on financial modelling and 'what-if' analyses to consider the likely impact of variations in key factors on the estimates.

ii) In deriving its estimates, the Committee made some critical assumptions:

- Costing and utilisation calculations based on projected 2005 data;
- The continuation of the recent pattern of **economic progress**;
- Setting the insurable **wage ceiling** for NHI contributions at $5,000 per month;
- Similar **payments** for health services in the private and public sectors using cost data/reference rates from the public sector;
- Government's overall **allocation to health** (as a percentage of the overall budget) will remain at current levels;
- **Non-members** of the NHI will be required to meet the full cost of care.

3. Main Findings and Recommendations

Benefits Covered through the NHI Comprehensive Package

i) The **NHI Comprehensive Package** will include a mix of health care services as well as funds for health-generating activities providing benefits to the whole population and the health system.

ii) The **health care services** covered will be:

• **Primary care visits**	• **Inpatient medical & surgical care**
• **Specialist visits**	• **Inpatient mental health care**
• **Home health care visits**	• **Emergency airlift/transportation**
• **Accident & emergency visits**	• **Laboratory & diagnostic services**
• **Prescription drugs**	• **Overseas catastrophic care not available locally**

iii) The **health-generating/health system improvement provisions** include:

- funds for health promotion - illness prevention projects by public and private agencies;
- funds for quality improvements, technological and other health care innovations.

Estimates of Cost and Financing

i) The key estimates of the cost and financing of the NHI Comprehensive Package are:

SUMMARY OF NHI COSTING AND FINANCING RECOMMENDATIONS FOR A COMPREHENSIVE PACKAGE OF BENEFITS IN THE BAHAMAS	
COST OF THE NHI COMPREHENSIVE PACKAGE	
(i) Cost of health care services (all residents)	*$231 million*
(ii) Provisions for health promotion-health improvements	*$11 million*
(iii) Administration and Reserves	*$11 million*
(iv) Less cost of care for non-members	*($18 million)*
Total cost of NHI	**$235 million**
FINANCING OF THE NHI COMPREHENSIVE PACKAGE	
Contribution level for Employed	**5.3%**
Contribution level for Pensioners	**$1 / day**
Contributions by Government (Total)	**$111 million**
Employer	*$ 12 million*
Indigent Subsidies	*$24 million*
Supplementary Contributions	*$ 75 million*
Distribution of Total NHI Contributions:	
Pensioners ($1 / day)	3.2%
Employed* / Self-employed Persons (all)	27.1%
Employer* (excluding Government)	22.4%
Government (total)	47.2%

*Employer : Employee split set at 50:50

- On Costs, the above table shows the estimated **total cost** of the Package including health services, health improvements and administration/reserves is $234 million. Line (iv) relates to non-members who will be required to pay the cost of care without assistance from NHI.
- On Financing, the table shows the estimated total **contribution rate** for employers and employees is 5.3%. Pensioners pay a concessionary rate of $1 per day. The Government's contribution of $111 million is comprised of contributions as an employer, on behalf of the indigent population and other contributions largely to support children in the NHI.

Implications of NHI for Stakeholders

i) Acting on the principle that **Government's spending on health** after NHI should remain at current levels ($201million in 2005/6), the estimates show a shift in the pattern (not the size) of that spending. Government's direct allocation to the Ministry of Health and Department of Environmental Health Services will remain intact but its allocation to the Public Hospital Authority and Department of Public Health will be reduced. These latter bodies will now receive the bulk of their funding from the NHI system.

ii) Overall, the estimates show that the **public sector will be better off** with NHI in terms of access to additional funds.

Firstly, Government can budget for $10 million more in terms of **capital expenditure**.

Secondly, the **Department of Public Health** gains $6 million in additional financing through claims paid by the NHI for services provided to members.

Thirdly, the **Public Hospital Authority** gains $2 million in additional financing from NHI payments and has access to the $11 million of funds in the NHI for health promotion, quality improvements and other innovations. The PHA also has access to the additional $10 million from the Government's capital budget and additional user fee collections from non-members of NHI who use their facilities.

iii) For the **insured persons**, the estimates show that the 5.3% contribution rate shared equally with employers will result in a $21 payment per month for a worker earning $800 per month; $48 on earnings of $1,800 and $133 on earnings of $5000 or more per month.

4. PRECONDITIONS AND SUPPORTIVE MEASURES REQUIRED FOR IMPLEMENTATION

A fully functional and progressive NHI depends on the quality of its internal administrative and technical preparation as well as on certain external facilitating factors and supportive measures. These external factors include:

- sustained **economic progress** marked by real growth rates in the key sectors, employment, wage levels and fiscal operations as well as in control of inflation;
- upgraded mechanisms at the **MSSCD** for identifying those persons who will require subsidies from the Government to become full members of the NHI;
- new regulations to improve levels of **compliance** by employers and the self-employed in paying contributions to the NIB;
- progress in implementation of **Health System Strengthening Project** activities to increase quality of care, responsiveness and efficiency in the public sector.

5. NEXT STEPS IN THE DEVELOPMENT OF NHI

During the pre-implementation phase, preparatory activities will continue. It is planned that, with intensive and focused efforts, these activities will be undertaken and completed within 12 to 15 months. These include:

- Drafting of facilitating **legislation;**
- Business meetings with **key stakeholders** to discuss the operational implications of NHI and their roles in the Plan;

- Design and installation of an upgraded **Information Technology** system at NIB for registration, claims processing and production of reports;
- Developing the NHI **organization structure** with appropriate job descriptions;
- Discussion and design of **contracts with health care providers** – public and private - in terms of participation, payments, and utilization reviews;
- Preparation and implementation of a multi-media **Communications strategy** and public education programme to take the NHI to the Bahamian people;
- Preparation of **cooperation agreements** to guide the relationships with various agencies which will interface with the NHI. These include the Ministries of Finance, Health, Social Services; National Insurance Board; private insurers;
- Development of an integrated framework of objectives and **performance measures** to monitor and evaluate the progress of NHI.