

Health Issue Brief 2019

Bermuda's Health Care Cost Curve



GOVERNMENT OF BERMUDA
Ministry of Health

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Putting our healthcare system on a sustainable path forward



This issues brief describes Bermuda’s impressive progress to date in controlling healthcare costs and improving patient outcomes. It concludes with an outline of the Government’s ambitious agenda to maintain this progress with additional reform and innovation.

Some things get cheaper over time. Laptop computers and flat-screen TVs cost a fraction of what they once did, and continue to become more affordable. But while many medical procedures and drugs have come down in price, nearly every government in the world wrestles with rising healthcare costs. Bermuda is no exception.

As recently as 2010, our National Health Accounts indicated that healthcare costs would reach \$1 billion by 2017 – a figure broadly recognized as out of proportion to Bermuda’s population, geography and economy.

That didn’t happen. In fact, total health spending in 2017 was roughly \$300 million below the billion-dollar mark. This resulted from numerous collaborative efforts, from the tremendous dedication of Bermuda’s doctors, nurses and allied health professionals to the invaluable roles played by insurance providers, public health services and the business community.

Keeping costs in check is a remarkable achievement but it isn’t an end in itself. It is a means to improving access for all, increased affordability and achieving better health outcomes. Bending the cost curve will put our healthcare system on a sustainable path forward.



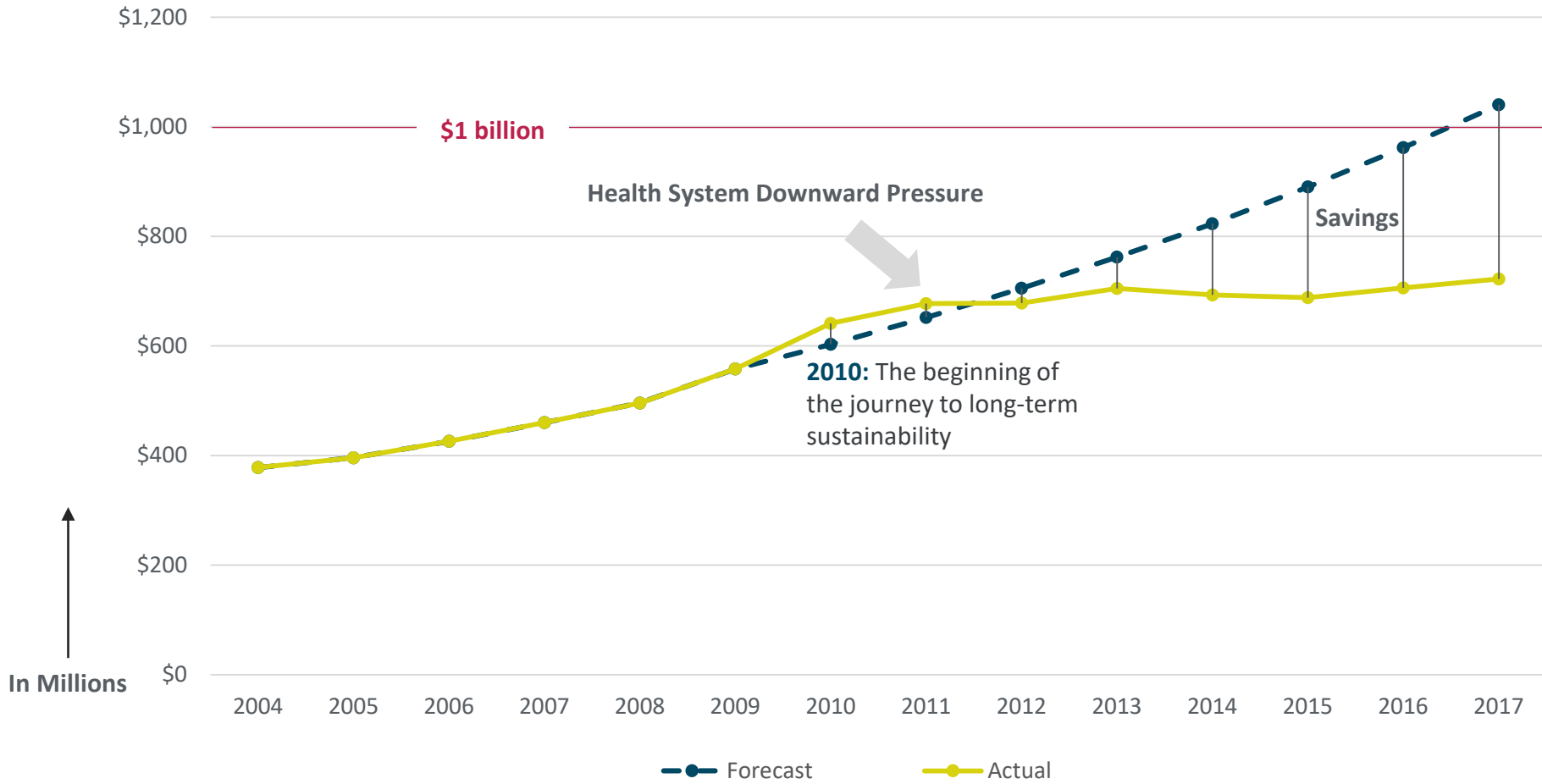
The Ministry of Health is relentlessly focused on improving access for all, increased affordability and better patient outcomes. These priorities cannot be separated from continuous reform and innovation.

– **Hon. Kim N. Wilson,**
Minister of Health



Figure: 1

Bermuda healthcare expenditures



The Bermuda Health Strategy, 2014 to 2019

Bending the cost curve by this trajectory does not happen by chance. It was the result of concerted effort, year over year, focused on a consistent vision for health system reform. This vision was stated most recently and comprehensively in the Bermuda Health Strategy. That strategy sought to realize the World Health Organization's Framework for Action for the people of Bermuda and leverage global improvements in healthcare, such as changes in pharmaceutical drugs, the introduction of cutting-edge technology and more awareness of healthy behavior.

Specifically, the Ministry of Health, Bermuda Health Council and numerous other stakeholders set out to accomplish:



Cost containment and efficiencies at the Bermuda Hospitals Board

As the largest provider of patient care, the Bermuda Hospitals Board contributed significant effort to bending the cost curve. Through collaboration with other system stakeholders, including the Bermuda Medical Doctors Association, Bermuda Nurses Association and insurance providers, the men and women at the Bermuda Hospitals Board have set a new benchmark for local expenditure.



Adapting to Bermuda's changing demographics

As the population continues to age, the active management of subsidy funds, in collaboration with insurers, was a primary tool to stabilize healthcare costs. We took steps to adjust subsidy levels to changing demographics — from 90% to 80% subsidization of hospital care for those over 74; and from 80% to 70% for those between 65 and 74.



Increasing on-island care

Most overseas care is referral-based and requires that the service not be offered locally. Spending on overseas care reached more than \$100 million in 2013. Since then, local providers increased efforts to bring that care to Bermuda, where possible, rather than continue to send patients overseas. As a result, we have seen an almost 15% decrease in overseas care since 2013. The development of the Acute Care Wing at the hospital contributed to the repatriation of services.

The Bermuda Health Strategy, 2014 to 2019 (Cont'd)



Changes in dialysis fees

In 2002, dialysis cost Bermuda \$3.8 million. By 2016, these costs had reached \$33 million. The number of patients requiring dialysis grows by about 10% each year. At this rate, the cost of dialysis will double every 7 years. To address this cost driver, peritoneal dialysis, a type of treatment for kidney failure, was added to patient benefits, as was more emphasis on kidney transplants. Today, dialysis is being managed for less than \$30 million.



Maintaining the Standard Health Benefit

We placed a moratorium on additions to the Standard Health Benefit as costs and utilization within the system had increased exponentially, putting sustainability of the entire system at risk. As the Standard Health Benefit was reopened, we sought to include benefits that could be provided at the same level of quality but in more cost-effective settings. This led, in part, to more home medical services, such as palliative care and medical nutrition therapy, saving millions of dollars.



More regulation and standardization of Standard Health Benefit fees

As care shifted from hospital-based settings to more community-based care, regulation of that care was strengthened. Reimbursement was based on a standard model, and priority for higher rates was given to more complex services. We are also bundling more services and using methods like capitation and block grants instead of fee-for-service in order to align payment with health outcomes. We need to incentivize value over volume and be proactive to keep patients healthy.



The Bermuda Health Strategy, 2014 to 2019 (Cont'd)



Sustainable long-term care

We set out to implement strategies to meet the long-term healthcare needs of seniors, people with chronic illnesses and those with physical, cognitive or mental disabilities. Reimbursement rates for long-term care were reevaluated and adjusted accordingly, to bring them in line with budget considerations and the actual cost of providing care to these vulnerable populations.



Frequent visitors to the emergency room

In 2016, a primary care pilot was designed to provide an alternative pathway for patients to seek care. The Enhanced Care Pilot Programme allowed for unlimited underinsured persons with chronic noncommunicable diseases to receive the primary care, tests and medicines needed to control their condition and avoid hospitalizations. Over 200 people benefited from the programme, thus avoiding visits to the emergency room, which directly contributed to bending the cost curve.



Promoting wellness

We encouraged healthy lifestyles and involved health professionals and other civic organizations to ensure the Well Bermuda population goals could be achieved. The Bermuda Department of Health have provided the public with increased information on prevention and ways to change behavior. These messages are not only on the back of buses and in email blasts, but also in grocery stores and in local churches.



Taking the next step

We have made incredible progress to date in controlling costs and improving patient outcomes. Continued reform and innovation is required to maintain this progress. In the near future, the Ministry of Health and Bermuda Health Council will announce additional steps to accomplish the following:



Payment mechanisms

We will transition away from a primarily volume-based payment system to one that rewards better patient outcomes and proactive care that keeps patients out of the emergency room.



Focus on wellness

We will continue to move our healthcare system toward providing more focus on wellness and preventative care. We will manage wellness more, while not neglecting necessary complex and acute care services for patients who need them. Structural change is required to provide individuals with the resources and information to optimize their health.



Cost of pharmaceuticals

We will manage prescription drug prices both through procurement and at consumer point-of-sale. We believe we can save and reinvest more than \$5 million to ensure coverage of medications for those with conditions requiring pharmaceutical treatments. This is critical in supporting an aging population who may be facing multiple chronic conditions. If the elderly are not able to afford necessary prescriptions, this can lead to tragic complications that require expensive acute healthcare.



Standardization within the market

There should be greater consistency of care in Bermuda. We will improve consistency across providers using evidence-based pathways for treating illness and preventing disease. Bermuda must move to a model where patients can depend on the same quality of care regardless of where that care is received.

Taking the next step (Cont'd)



Data

We will focus on data. Creating a robust data infrastructure will allow Bermuda to understand what is occurring and to create intervention programmes that fit within the local context.



Chronic disease programmes

We will be aggressive in dealing with chronic non-communicable illness well before diagnosis. The community must become more empowered and engaged toward stopping the non-communicable disease epidemic. We will invest in community programmes to encourage healthy behaviors including regular exercise and healthier eating habits.



Figure: 2

Overview of Bermuda healthcare reforms

Current: Volume-Based Healthcare

Future: Value-Based Healthcare

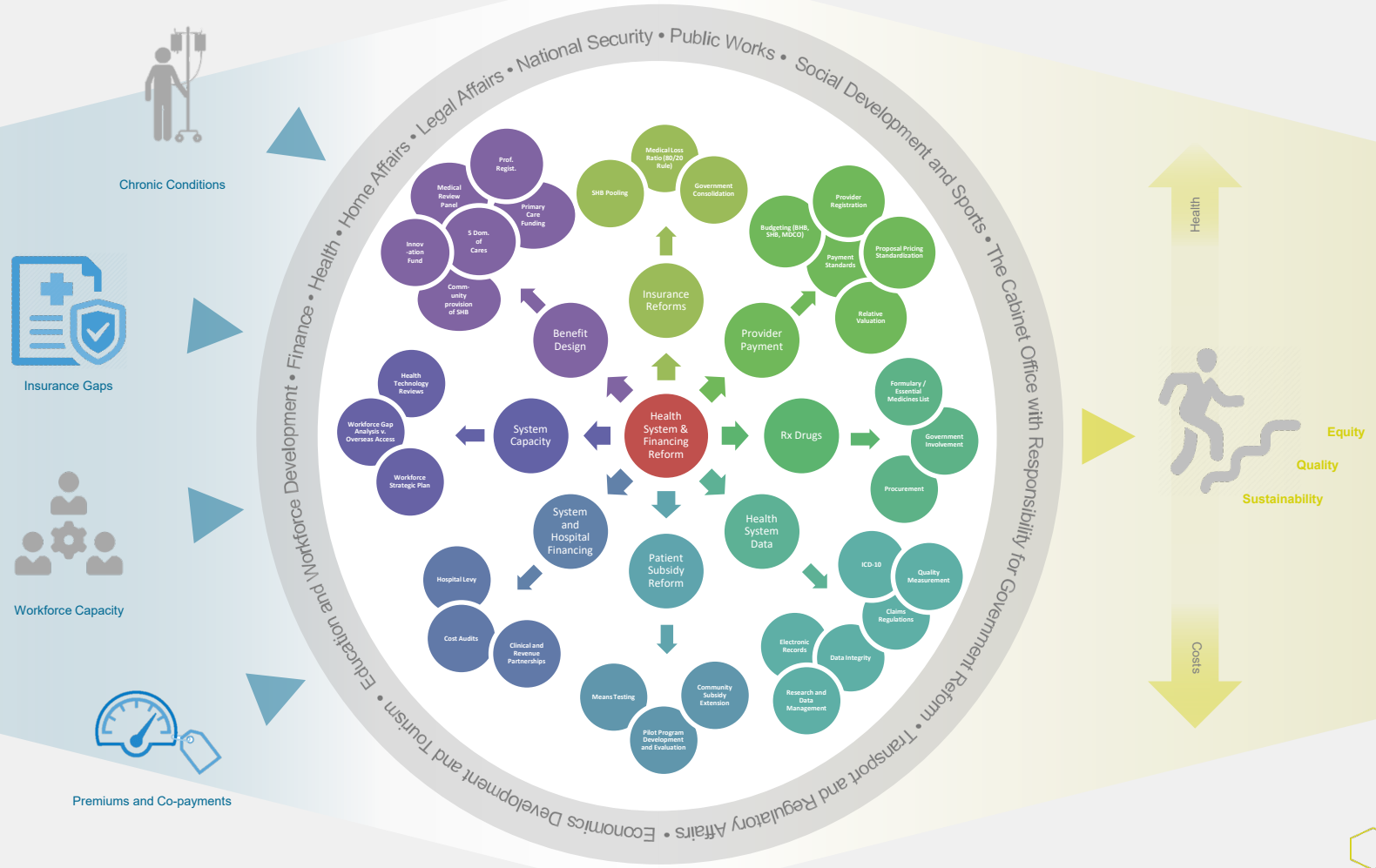
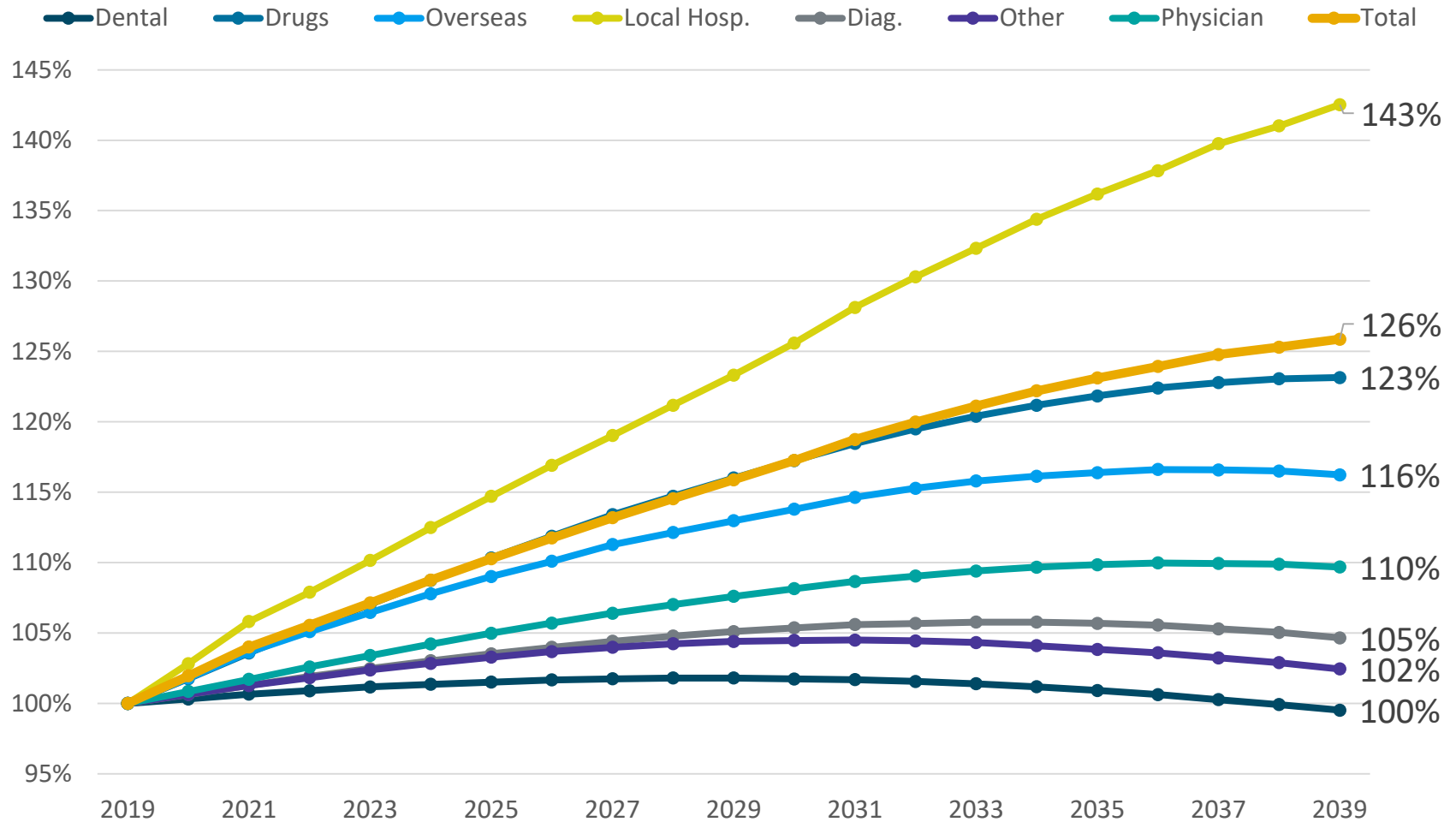


Figure: 3

Change in Bermuda healthcare expenditures over 20 years



The path forward

The process of bending the cost curve and putting our healthcare system on a sustainable path forward will not be easy. We will prioritize 8 core areas over the next decade:

01

System capacity

determining what we need and who can best provide it;

02

Benefit design

creating a standard health benefits package that not only delivers impactful benefits but is sensitive to the income of those who must pay for them;

03

Insurance reform

guiding a system that incentivizes wellness and also provides coverage in a catastrophe;

04

Provider payment

ensuring that payments for services are fair and tied to improvements in population health outcomes;

05

Prescription drugs

understanding how we can get the best prices and value for medications;

06

Health system data

providing all stakeholders within the system with information and data that will help individuals, providers, insurers and the Government make the best decisions possible;

07

Patient subsidy reform

refining the system so that those who most need support are first in line to receive the funds that are available; and

08

System and hospital financing

mandating accountability and efficiencies in a care setting that is best situated to manage the most acute and complex patients on island.

As we have done in the past and as we will continue to do into the future, the Ministry of Health and Bermuda Health Council will not shy away or try to avoid the difficult choices that are required to realize better outcomes. This is a seminal moment in the history of Bermuda. Now is the time to put our healthcare system on a sustainable path forward. For if nothing was done to stop our rise to \$1 billion annual healthcare expenditure, we surely would be unprepared to address providing affordable care for all, and the costs associated with our aging population.

About

Government of Bermuda, Ministry of Health

The Ministry of Health is the caretaker of the island's health system. The Ministry's vision is for an equitable and sustainable health system that promotes and protects the physical, mental and social well-being of individuals and the community. It also manages services for seniors and assists people living with disabilities to ensure they have access to the correct resources, investigates reports of abuse and monitors long-term care homes.

Contact us at: (441) 278-4900 or gov.bm/ministry/health

Bermuda Health Council

Formed in 2006 through the Bermuda Health Council Act 2004, the Health Council serves to regulate, coordinate and enhance the delivery of healthcare services. It is creating value through the promotion of an equitable and sustainable health system. It also leverages technical expertise including in areas of Health Financing and Economics, Health Policy and Regulation, and Community Engagement to provide support to system stakeholders.

Contact us at: (441) 292-6420 or healthcouncil@bhec.bm

