NOVEMBER 2018

ISSUE BRIEF: PATIENT SUBSIDIES

(CONSIDERATIONS FOR SOLUTIONS OVERLEAF)

The Health Insurance Act 1970 mandates that there be patient subsidies available to ensure the youth, aged and indigent populations have access to an essential package of benefits, Standard Health Benefit (SHB).

The legislation allows for subsidy to be paid to the hospital and to health care providers approved by the Minister of Health. However, to date, providers outside of the hospital have not been approved to receive these funds. Subsidy funds are only paid to the hospital leaving any care provided to the youth, aged and indigent populations outside of the hospital to be covered by health insurance or out-of-pocket payments.

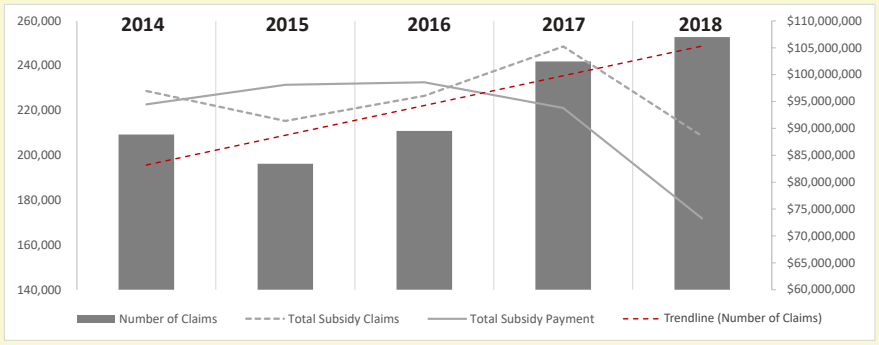
Subsidy payments, which are funded through government taxes and duties, are currently capped based on a predetermined budget amount. These capped funds are paid directly to the hospital in 12 monthly payments. As a result, the trends in number of subsidy claims, total value of subsidy claims and total subsidy payments are different.

» The number of claims indicates the actual use or demand for subsidised services for that year.

» The total value of claims is an *indication* of use or demand, however this is also affected by the individual service fees for that year.

» The total payment represents the actual funds paid to the hospital for that year.

In addition to the legislated subsidies, three non-legislated subsidies were available at points between 2014 and 2018 to assist individuals with the cost of medications, dialysis and long-term hospital stays. These were not guaranteed based on a standard criteria but were instead considered on a case-by-case basis.



Between 2014 and 2018, the total number of subsidy claims (representing use of subsidised care) have increased while total subsidy payment has decreased.

YOUTH SUBSIDY ELIGIBILITY

» Resident children under the age of 19

» Resident persons over 19 but under 22 and are full time students in Bermuda

» 100% financing for eligible care

AGED SUBSIDY ELIGIBILITY

» Persons over 65 who have lived here for at least 10 of the 20 years prior

» 70% financing for individuals over 65 and under 75 for eligible care

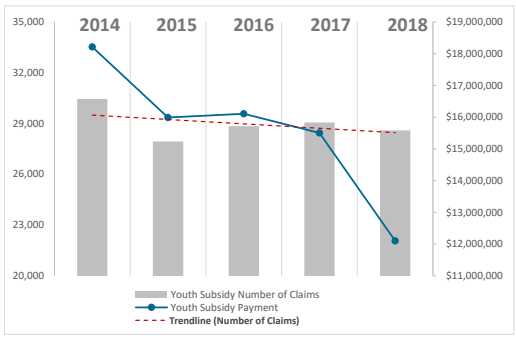
» 80% financing for individuals over 75 for eligible care

INDIGENT SUBSIDY ELIGIBILITY

» Bermudians who have been resident for at least 10 years who are deemed to be eligible by the hospital at the point of care

» Provides 100% financing for eligible care

YOUTH SUBSIDY 5-YEAR TREND



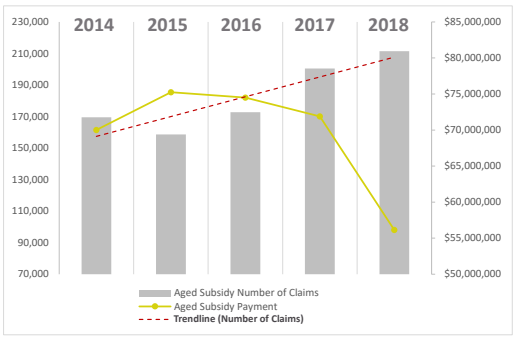
» Youth are unpredictable users of hospital services[1]

» Changes in population size do not correlate with use of hospital services[1]

» The number of claims for youth subsidy fluctuated between 27,000 and 30,000 per year during 2014 to 2018

» The total amount paid for youth subsidy decreased from $18M in 2004 to $12M in 2018

AGED SUBSIDY 5-YEAR TREND

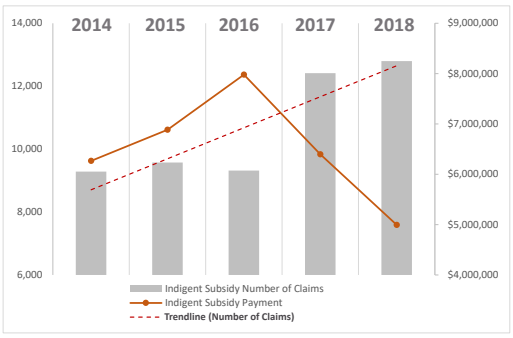


» There was an upward trend in the number of claims for the aged subsidy which is expected given the historical health needs of an aging population[2]

» Despite the upward trend in use of services, there was a downward trend in subsidy payments

» In 2015, aged subsidy decreased from 80% cover to 70% for individuals over 65 and under 75 and 90% cover to 80% for those over 75

INDIGENT SUBSIDY 5-YEAR TREND



» The indigent population has the lowest levels of use but Government's per claim payment is the highest[1]

» The increasing trend in number of claims may imply a greater awareness of the subsidy, an expansion of the eligibility criteria or a greater need for assistance

» It is difficult to forecast changes in use of indigent subsidy without a formal criteria for inclusion

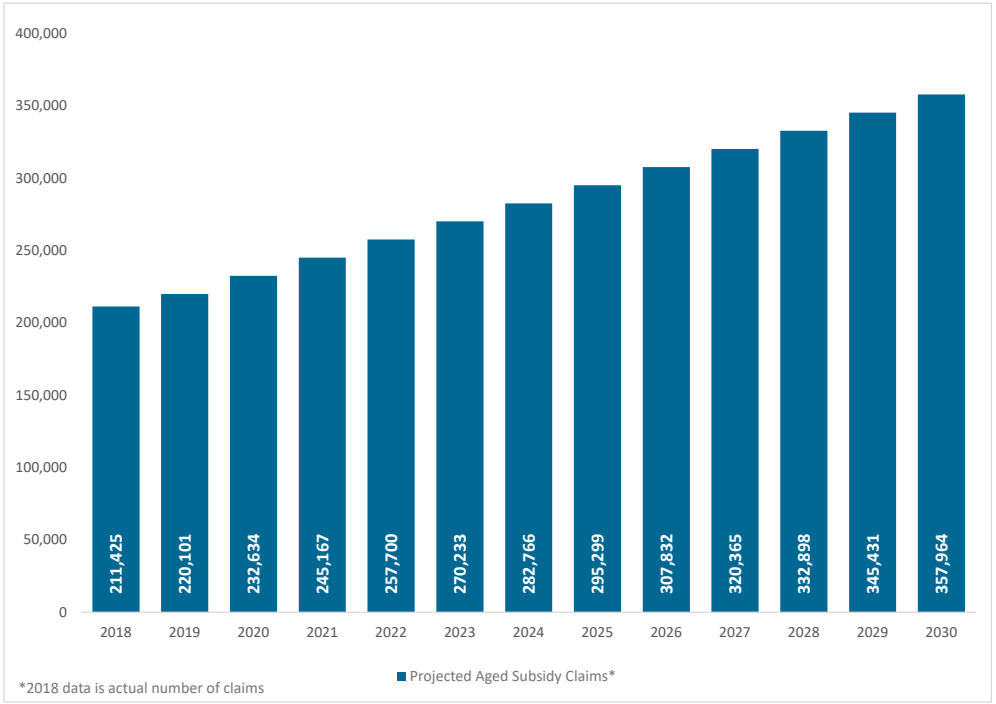
1. Based on observation of historical claims data for this population.
2. de Meijer et al. The effect of population aging on health expenditure growth: a critical review. European Journal of Ageing (2013). 15;10(4): 353-361

Overall, there is a trend of increasing use of services and decreasing payments for services. As the purpose of subsidies is to bridge gaps in access, ***the growing demand for subsidy highlights a need for change in how we ensure care is accessible to those who may be most vulnerable economically.***

Between 2014 and 2018, the number of aged subsidy claims accounted for 82% of total legislated subsidy claims and use of health services was associated with changes in the aged population, i.e. the more aged individuals there were, the more subsidy claims there were.

Based on population projections[3] and the 2016 Census[4], the aged population is expected to increase from 14% of the total population in 2010 to 20% by 2020. By expanding this growth trend and considering the aged population's use of health services in 2018, it is further projected that the number of aged subsidy claims could increase by 69% between 2018 and 2030.

While changes in subsidy payments are not directly linked to use of services or population size, **if subsidy payments were to remain constant or continue to decrease, the demand for care will quickly outgrow the financing of that care.**



*2018 data is actual number of claims

The following are intended to provide a basis for consideration for changes to the current subsidy eligibility criteria and payment structure. These options encourage more cost efficiency, appropriate expansion of access to care and improved health outcomes for the vulnerable populations.

Consider alternative funding options or efficiencies for the hospital to allow subsidy dollars to be allocated to more cost-effective settings and the hospital to fufill its intended purpose as a tertiary care provider[5].

46% ($338M) of Total Health Expenditure is on services provided in the hospital[6].

Provide necessary prescription medication coverage, preventive care and access to providers that offer effective disease management to reduce the need for expensive care resulting from disease mismanagement[7,8].

In 2018, the average payment per claim for new patients was $569 in the hospital compared to the community which is $85 and for established patients, $164 in the hospital and $93 in the community[9].

Use means testing for more appropriate allocation of subsidy funds to those who meet a set criteria related to income and health state, rather than directly associating subsidy eligibility with age[10].

At least 16% of the population (over the age of 16) fall below half of the median annual household gross income of $46,857[4].

USEFUL LINKS:
» Health Insurance Act 1970
» Health Insurance (Standard Health Benefit) Regulations 1971
» Fact Sheet: A Simple Guide to Understanding Standard Health Benefit
» 2018/19 Standard Health Benefit and Mutual Reinsurance Fund Benefit Reimbursement Rates and Guidelines

3. Department of Statistics. Bermuda's Population Projections 2010-2020. (2014) Page 28, Table 1
4. Bermuda Department of Statistics. 2016 Population and Housing Census Report. (2018). Page 68, Table 13
5. Wang and Nie. Effects of asymmetric medical insurance subsidy on hospitals competition under non-price regulation. International Journal for Equity in Health. (2016). 15;15(1): 184.
6. Bermuda Health Council. 2018 National Health Accounts data: health finance and expenditure for the period 1st April 2016 to 31st March 2017
7. Robertson et al. Prescription medicines: decision-making preferences of patients who receive different levels of public subsidy. Health Expectations. (2014). 17(1): 15-26.
8. Hamine et al. Impact of mHealth Chronic Disease Management on Treatment Adherence and Patient Outcomes:A Systematic Review. Journal of Medical Internet Research. (2015) 17(2):e52.
9. Bermuda Health Council. Transaction-level data for the period 1st April 2017 to 31st March 2018
10. Wen et al. Effect of Medicaid Expansions on Health Insurance Coverage and Access to Care among Low-Income Adults with Behavioral Health Conditions. Health Services Research. (2015) 50(6): 1787-1809.