

BERMUDA HEALTH COUNCIL COMMENT RUN IN THE ROYAL GAZETTE ON 10 MAY 2010**THE PRICE OF HEALTH**

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Recently I was asked “why is healthcare expensive and why do healthcare costs increase faster than everything else?” In the context of current local debates, this is highly topical; and it’s great to see the public engaged in this vital discussion. But to thousands of academics and policy-makers around the world, it is an age-old, million-dollar question. Indeed, in Bermuda it will be a billion dollar question by the year 2016, if healthcare costs continue to grow at the pace they have for the past decade.

One can conceive short, simple answers to the questions: An unhealthy population needs more healthcare. The “raw materials” to provide healthcare (professionals, facilities and equipment) all cost a lot of money. And the range and price of these raw materials is growing faster than the national wealth. Between our unhealthy habits, the progress of science and the motivation of entrepreneurship, the sky’s the limit in terms of what healthcare can offer and charge for. And when the sky’s the limit, that is what patients want.

But the reality is that short, simple answers are not enough. The issue is significantly more complex. Without pretending to be among the imminent, aforementioned academics and policy-makers, I can try to provide a lay version of what the literature suggests.

First, it is vital to appreciate the global context: Bermuda is not unique in its growth in healthcare costs or in the way it provides and pays for healthcare. Most countries are grappling with healthcare spending outpacing national wealth. Some analyses of this experience have proposed that there are three broad categories of cost drivers in healthcare: the quantity of the goods and services being delivered; their price; and the way in which the healthcare system is structured.

1. The quantity of goods and services used: Populations that are older and sicker tend to need more healthcare. While sound health promotion can help curtail the need for treatment, there are countries with more seniors than Bermuda and with some pretty unhealthy habits (e.g. smoking), who spend much less than we do on healthcare. Research shows that the more healthcare services there are in a geographical area, the higher the use of those services. Economists have known this for the past 400 hundred years: “every supply generates its own demand”. In healthcare we have to pay for what we use, even if we might have not needed it.

2. The price of goods and services: From a medical consultation, the various tests to diagnose you, the treatment and drugs involved in curing you, hospital care, administration to bill for your treatment, administration to pay for it, the malpractice insurance your providers need, and so on – every item along the way has a price tag. The prices vary between different countries but several studies have concluded that prices in the United States are higher than almost anywhere else in the developed world. Evidence suggests that prices in Bermuda tend to mirror those of high-priced US jurisdictions where the cost of doing business is similar to Bermuda. This puts us on the expensive end of the spectrum, and the reason is...

3. The structure of the healthcare system: Some healthcare models cost more to run. Countries with limited regulation of the price of healthcare show a faster rise in costs. Also, countries where a significant proportion of healthcare is paid via private insurance, like Bermuda or the US, tend to be more costly. The benefit of this model is that it reduces the burden on the state and allows those with insurance more choice. However, this model can't guarantee healthcare for 100% of the population, and results in greater financial burden for the sick and the poor.

Healthcare costs in Bermuda, like elsewhere in the world, are affected by how much we consume, the price of what we consume, and crucially, how we organise the delivery and payment of healthcare provision. At the Bermuda Health Council we believe that at the level we are spending, we can aim for a slow-down in the rise of costs, but also for wider coverage, better outcomes, and more equity. Because it's not just about money, it's about all of us.

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Dr. Jennifer Attride-Stirling is the Chief Executive Officer of the Bermuda Health Council and has been a healthcare advocate for over a decade. She has worked at the UK healthcare regulator and the London School of Economics; and has published papers on health regulation, health promotion, mental health and research methodology. Her work in Bermuda led to the introduction of various national initiatives by the Department of Health.