



YOUR HEALTH INSURANCE PREMIUM

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Most of us will notice that our health insurance premiums are going up again. This happens every year around this time, and no matter how regular it is, none of us really get used to it.

For many of us it just feels like we're paying more for services we rarely use – just in case something terrible happens. But in fact, health insurance is not optional for most people in Bermuda. If you're employed you are required by law to have health insurance; a mandate put in place 40 years ago. In this context, this is a good time to recap how your health insurance policy is structured, and why the premium went up.

Legal requirement

Every employed person (and their non-working spouse) has to be insured for at least the Standard Hospital Benefit (SHB). This covers hospital charges locally and overseas. The benefits and price are set by the Government every year. The cost has to be split equally between employer and employee.

Premium

The price of the SHB is calculated by independent actuaries, based on the previous year's use and cost of services – i.e. the claims experience. This year the premium went up by \$16.13, to \$252.27 per month. This is a 6.8 percent increase on the 2010 premium of \$236.14. As an employee you are required by law to pay \$126.14 per month for the basic mandated package – like a tax. Employers who don't provide this for their staff are acting against the law.

Additional coverage

Health treatment beyond hospital care is not included in the SHB. Even the fees of doctors not employed by the hospital are not included in the SHB. For this reason most people take up additional cover, which "major medical" policies offer. This cover is optional, and employers don't have to provide it.

Employers

Bermuda has been lucky that many employers have traditionally been very generous and pay half of the major medical policy, which costs on average around \$800 per month. So instead of paying \$126.14 per staff member, employers usually pay around \$400 per person, per month.

Gaps

The Health Insurance Act 1970 makes provision for some cover, but leaves gaps. Employers are not required to provide any insurance at all for your children or major medical for non-working spouses. But many do.

Generally, if you're healthy, employed, and with a good salary this system works well. But because the mandated cover is only for hospital costs, it doesn't work so well if you need other types of healthcare. If you work part-time or have a low salary, most of what you earn can be consumed by your health coverage. And if you lose your job, you lose your coverage. So the Act's provisions – though a laudable first-step in 1970 – leave a lot of people at risk in 2011.

Your benefits

Not everyone knows that health insurance is a legal requirement, with a legislated contribution level. And fewer understand that most of the coverage they have they are not entitled to, but are simply very lucky to have. Most people only realize these things when they stop working and find themselves in very difficult circumstances.

Annual increases

So what causes the premiums to increase? For the SHB – the only part the Government controls – the cost went up this year in small part to pay for the increase in local hospital fees and KEMH redevelopment (1.5%); but in much larger part it was due to the increase in local and overseas hospital services used. In fact, of the \$16.14 increase, \$13.38 is to pay for this increase in utilization.

Utilization

This year the increase in utilization coincided with a drop in the insured population. There were almost 3,000 less people insured in 2010, but the system saw over \$10 million more in claims for local and overseas hospital costs.

When insurers, physicians, the Health Council, the Ministry of Health and other health system stakeholders talk of unwarranted increases in utilization, this is what we are referring to. In the absence of a pandemic or physical catastrophe it is not fully clear how a system with 5% less people managed to generate nearly 10% more in claims. But that is the situation we face, and the reason the SHB premium went up by \$16.14 a month.

What next?

In the short term, if we want to prevent steep SHB increases we will all need to ensure hospital services are used appropriately. In the long-term a healthy population will also help contain costs. In addition, the Ministry of Health National Health Plan is seeking to find solutions that are right for Bermuda.

The actuarial report is available on the Bermuda Health Council web site at www.bhec.bm.

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 and BHeC.