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THE RISE AND RISE OF HEALTHCARE COSTS

It doesn't take a health economist to work out that the cost of healthcare seems to rise faster than what we earn. The average person can tell from their paycheck that health is costing them about twice what it cost 10 years ago. And if you are among the twenty percent with a household income under \$50,000, healthcare costs will be eating up a much larger chunk of your earnings than a decade ago.

Yet, at the Bermuda Health Council, what we hear about more often is how some parties in the healthcare sector are struggling to make ends meet. Some healthcare professionals tell us they are under-paid and undervalued. Some insurers tell us they question how much longer they'll be able to stay in business. The public express concerns every time premiums go up and, anecdotally, it is said that a growing number of people have to choose between medication and food for the week. Some healthcare professionals, like physicians and dentists, tell us they provide "pro bono" (free) care for many patients in hardship.

I want to believe everybody... but these accounts just don't square.

At this point we don't have enough data in Bermuda to discern exactly what is driving up our healthcare costs. But there is ample international experience that can shed light on our not-so-unique situation.

Most other countries are seeing healthcare costs increase at rates similar to ours. Let's look at the most common causes associated with these increases in countries of the Organisation for Economic Cooperation and Development (OECD):

1. Aging - Older persons are more likely to need healthcare, and twelve percent of our population is aged over 65 years. However, European countries and Japan have much larger senior populations and spend less on healthcare.
2. Health status – We have high rates of overweight and obesity, compared to most OECD countries. But we have lower rates of smoking and better take up of preventive screenings.
3. Hospital costs – Like all other countries, much of what we spend on health pays for hospital care; some of it is to treat preventable conditions. Trends are being monitored to assess the impact on overall spending locally.
4. Health technology and pharmaceuticals – International experience concludes that the more

technology and drugs there are in a health system, the more they are used; this raises costs. The local market is largely unregulated and unmonitored.

6. Prices – The actual price of services impacts overall costs. Healthcare prices in the US are twenty-five percent higher than the OECD average. There are indications that local price levels are at least on par to the US in some key specialties. The way in which providers are paid also has an impact on overall costs, especially where there is limited regulation. In Bermuda the only regulated provider fees are for medical and dental treatment in hospital. This accounts for thirty percent of all expenditure on healthcare professionals; the other seventy percent is unregulated.

7. Utilization – Unlimited patient choice comes at a price for any system, and ours has few controls to manage utilization. High demand for overseas care can also generate more cost.

There is no “magic bullet” explanation for rising healthcare costs, but knowing what factors have an impact in other countries can help us identify opportunities locally. The Bermuda Health Council is benchmarking the island and monitoring trends in order to identify how we may achieve the nirvana of containing healthcare costs, while making essential healthcare available for all, in an affordable way.

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