



Issues in Designing a Health Insurance Program for Bermuda's Seniors: Evidence from The FutureCare Program

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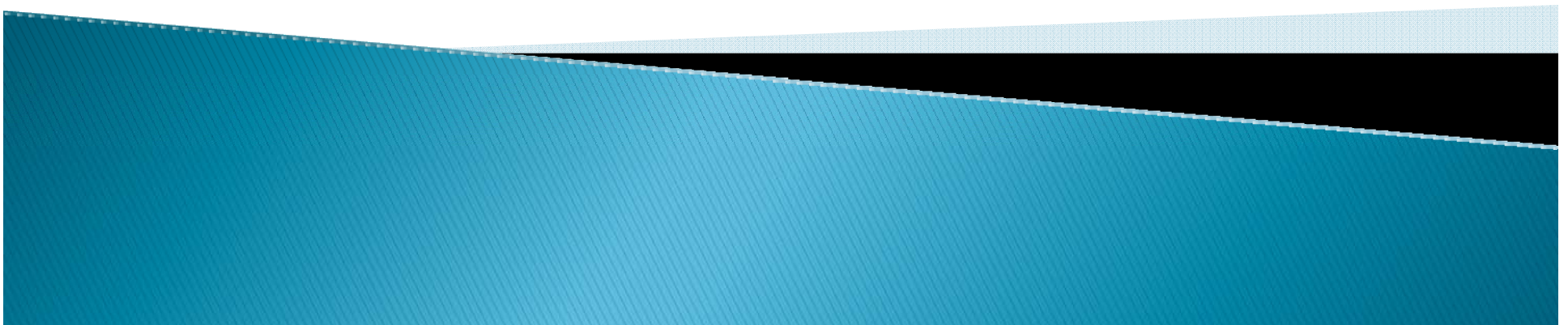
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Presenter Disclosures

Gerald F. Kominski, Ph.D.

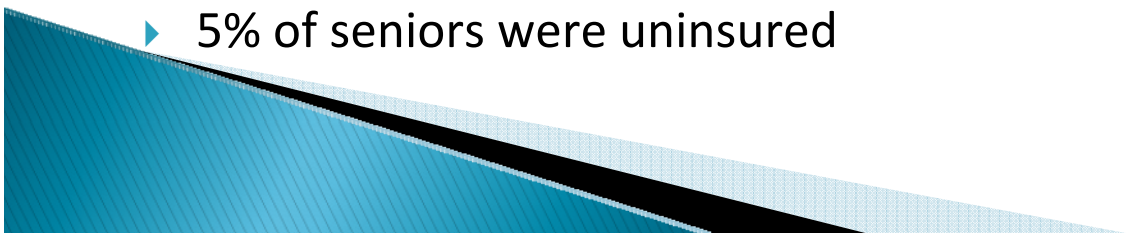
The following personal financial relationships with commercial interests relevant to this presentation existed during the past 12 months:

I served as a consultant to Kurron Shares of America, Inc., which was responsible for contracting with the Government of Bermuda to conduct this study and develop recommendations for the design and implementation of the FutureCare program.



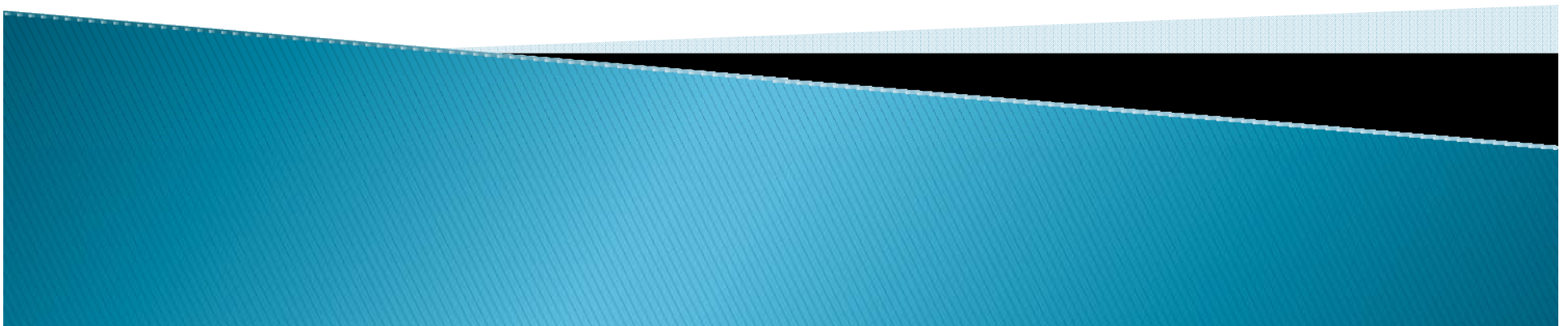
Health Insurance Status of Bermuda's Elderly, Prior to FutureCare

- ▶ Government requires all insurers to offer a Standard Hospital Benefit, and subsidizes about 85% of the total cost of this benefit for seniors
 - Benefit covers inpatient services only, both on island and off island (with limits)
- ▶ 50% of seniors purchased comprehensive insurance through 3 private insurers
 - Employers are required to pay 50% of the health insurance benefits for current employees, but are not required and generally do not pay for retiree health insurance benefits
- ▶ 10% of seniors were covered through government retiree health plan
- ▶ 35% of seniors purchased the basic Health Insurance Plan (HIP), offered by the government
 - Included the Standard Hospital Benefit, plus limited outpatient, drug, and dental benefits
 - Premium paid by seniors was about \$201 per month in 2009
- ▶ 5% of seniors were uninsured



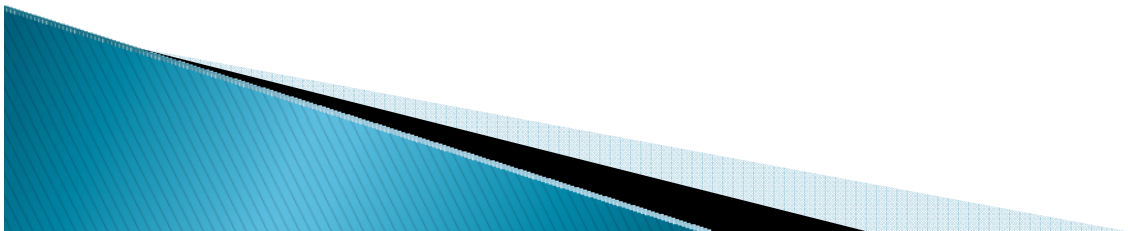
FutureCare Policy Goal

- ▶ The Bermuda Government has committed to develop a health care plan for citizens of Bermuda aged 65 and over that ensures good access to effective, safe, coordinated, and patient-centered health care.



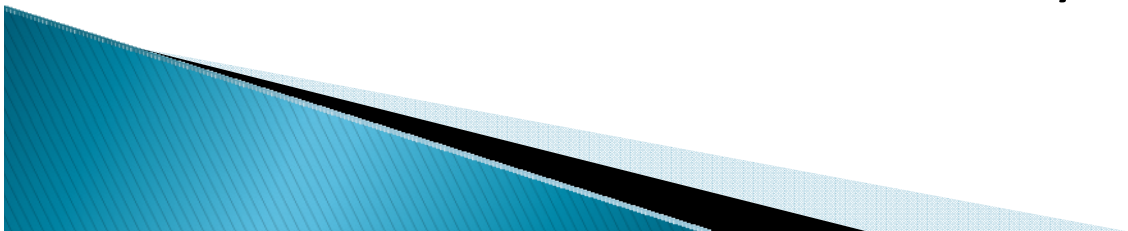
Study Purpose

- ▶ Conduct policy analysis of alternative design features for FutureCare, based on:
 - international experience, including U.S. experience under the Medicare program
 - pre/post comparison of health care expenditures among seniors under alternative policy scenarios
- ▶ Present three FutureCare benefit plan options
 - Satisfy the \$10M cap provided by the Ministry of Finance
 - Consistent with Government's policy goals
- ▶ Make cost projections and highlight tradeoffs among alternatives



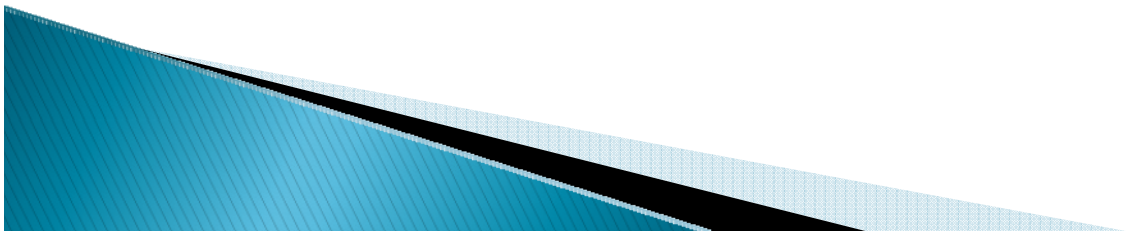
Population Studied and Methods

- ▶ Bermuda citizens and long-term residents ages 65 and older
- ▶ Baseline health expenditures obtained from:
 - Ministry of Health, which provides coverage for about 45% of seniors through:
 - basic Health Insurance Plan (HIP) (35%)
 - Government Employees Health Insurance plan (GEHI) retired for government employees (10%)
 - 3 private insurance companies that provide insurance to about 50% of seniors
- ▶ Data on out-of-pocket health expenditures obtained from a 2007 household survey of seniors



Design and Implementation Features

- ▶ **Implementation Date** – April 1, 2009 through Department of Social Insurance
- ▶ **Cost Sharing**
 - Government: 75%
 - Seniors: 25%
- ▶ **FY 2010 Government Cost** – Up to \$10 million incremental cost (in addition to current aged subsidy)
- ▶ **Eligibility for FutureCare**
 - FY 2010: Persons 65 years of age or older and either presently enrolled in HIP or uninsured (about 40% of the elderly)

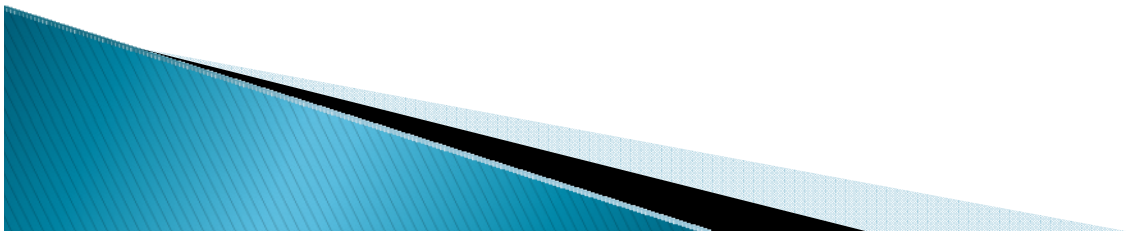


Overview of Three Options

Labeled 3A, 3B, and 3C to distinguish from earlier iterations

Benefits based on the Government Employees Health Insurance (GEHI) benefits package, with additions and deletions:

- ▶ Include preventative, diagnostic, and laboratory services
- ▶ Include long-term skilled nursing services provided to seniors in their homes, but not long-term custodial care provided in a nursing home
- ▶ Imposition of an annual maximum on prescription drug benefits
- ▶ Removal of coverage of airfare and hotel costs for overseas care
- ▶ FutureCare-approved hospitals for non-emergency overseas care



Differences Among Three Options

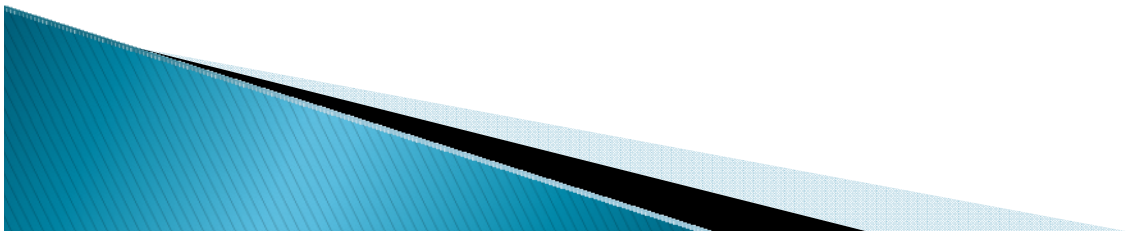
- ▶ Professional Reimbursement:
 - Options 3A and 3B: same as GEHI
 - Option 3C: change to RBRVS-based fee schedule
- ▶ Dental Care:
 - Options 3A and 3C reflect no increase in dental benefits beyond HIP basic dental services
 - Option 3B: Enhanced dental services
 - Compared with other options, dental costs were increased 30% to account for other than basic coverage being offered to beneficiaries who previously did not have this coverage



Option 3B was the proposed option because of its enhanced dental benefits

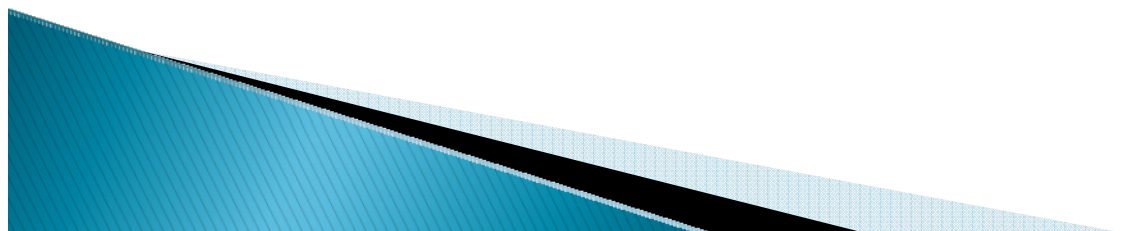
Benefit Details

	GEHI	Option 3A	Option 3B	Option 3C
Bermuda Care				
<u>Hospital IP</u>				
Room & Board				
-Public Ward	\$918 Case Rate	Case Rate	Case Rate	Case Rate
-Semi-Private	\$1,098 Case Rate	Case Rate	Case Rate	Case Rate
Mid-Atlantic Wellness Inst	\$594 (40 day max)	\$594 (40 day max)	\$594 (40 day max)	\$594 (40 day max)
Hospice Care	GEHI approved expense	GEHI approved expense	GEHI approved expense	GEHI approved expense
<u>Hospital OP</u>				
ER	Unlimited	Unlimited	Unlimited	Unlimited
Non-ER Outpatient	Unlimited	Unlimited	Unlimited	Unlimited
<u>Other Outpatient</u>				
Diag X-Ray + Lab	100% HIC Fee Schedule	80% HIC Fee Schedule	80% HIC Fee Schedule	80% HIC Fee Schedule
DME/Prosthetics	\$10,000 lifetime	\$10,000 lifetime	\$10,000 lifetime	\$10,000 lifetime



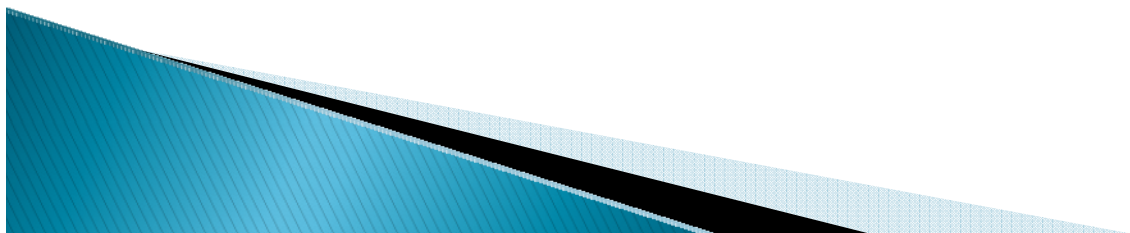
Benefit Details, continued

	GEHI	Option 3A	Option 3B	Option 3C
<u>Professional Services</u>				
Inpatient	Ingenix Nat'l Fee Analyzer '07	Ingenix Nat'l Fee Analyzer '07	Ingenix Nat'l Fee Analyzer '07	Ingenix Nat'l Fee Analyzer '07
Home - GP or Specialist	\$104	\$104	\$104	RBRVS*
Office - GP	\$46	\$46	\$46	RBRVS*
Annual Physical Exam	\$77	\$77	\$77	RBRVS*
Specialist Consultation	\$131 initial, \$55 follow-up	\$131 initial, \$55 follow-up	\$131 initial, \$55 follow-up	RBRVS*
Grp Psych Therapy Session	\$46 (24 visits per policy yr)	\$46 (24 visits per policy yr)	\$46 (24 visits per policy yr)	\$46 (24 visits per policy yr)
Clinical Psych	\$78 (12 visits per policy yr)	\$78 (12 visits per policy yr)	\$78 (12 visits per policy yr)	\$78 (12 visits per policy yr)
Psychiatrist	\$131 initial, \$81 follow-up	\$131 initial, \$81 follow-up	\$131 initial, \$81 follow-up	\$131 initial, \$81 follow-up
Physiotherapy/Occupational Therapy	\$35 (12 visits per policy yr)	\$35 (12 visits per policy yr)	\$35 (12 visits per policy yr)	\$35 (12 visits per policy yr)
Speech Therapy	\$42 per one hr visit (12 visits per policy yr, referral req'd)	\$42 per one hr visit (12 visits per policy yr, referral req'd)	\$42 per one hr visit (12 visits per policy yr, referral req'd)	\$42 per one hr visit (12 visits per policy yr, referral req'd)
Chiroprapist	\$41 (6 visits per policy yr)	\$41 (6 visits per policy yr)	\$41 (6 visits per policy yr)	\$41 (6 visits per policy yr)
Chiropractor	\$50 (12 visits per policy yr)	Not Covered	Not Covered	Not Covered
Home Nurse Visits	Not Covered	12 home nurse visits per policy year	12 home nurse visits per policy year	12 home nurse visits per policy year



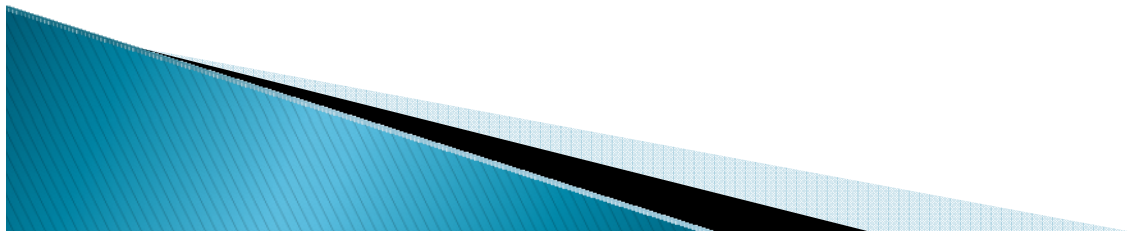
Benefit Details, continued

	GEHI	Option 3A	Option 3B	Option 3C
<u>Preventable Health Care</u>				
Diabetic/Nutritional Counseling				
-First Visit	\$42	\$42	\$42	\$42
-Follow-up Visit	\$25 (max 6 follow up visits per policy yr)	\$25 (max 6 follow up visits per policy yr)	\$25 (max 6 follow up visits per policy yr)	\$25 (max 6 follow up visits per policy yr)
Allergy Services	\$500 lifetime max	\$500 lifetime max	\$500 lifetime max	\$500 lifetime max
Prescription Drugs (OP)	80%	80%, \$2,000 annual limit	80%, \$2,000 annual limit	80%, \$2,000 annual limit
Vision Care	\$50 for eye exam and \$200 for eyewear annually	\$50 for eye exam and \$200 for eyewear annually	\$50 for eye exam and \$200 for eyewear annually	\$50 for eye exam and \$200 for eyewear annually
<u>Dental</u>				
Basic, including endodontia	Dental Fee Schedule	No increase beyond HIP Basic Dental Services	Dental Fee Schedule	No increase beyond HIP Basic Dental Services
Peridontia	50% Dental Fee Schedule, \$1500 annual max	No increase beyond HIP Basic Dental Services	50% Dental Fee Schedule, \$1500 annual max	No increase beyond HIP Basic Dental Services
Restorations (prosthodontia)	80% Dental Fee Schedule, \$3000 annual max	No increase beyond HIP Basic Dental Services	80% Dental Fee Schedule, \$3000 annual max	No increase beyond HIP Basic Dental Services
Orthodontia	50% reasonable & customary, \$1500 annual max, \$3000 lifetime max	Not Covered	Not Covered	Not Covered
Custodial Care	Not Covered	Not Covered	Not Covered	Not Covered



Benefit Details, continued

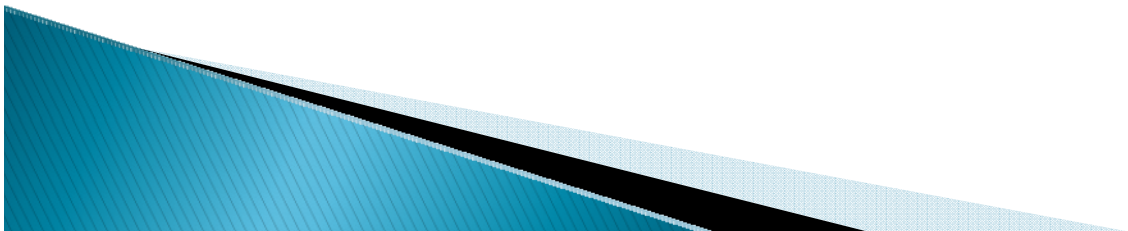
	GEHI	Option 3A	Option 3B	Option 3C
Overseas Care				
Emergency Treatment	GEHI approved expense**	GEHI approved expense**	GEHI approved expense**	GEHI approved expense**
Recommended Treatment	GEHI approved expense**	GEHI approved expense**	GEHI approved expense**	GEHI approved expense**
Elective Treatment	Bermuda Rate + 50% of Diff	Not Covered	Not Covered	Not Covered
Treatment Avail in BM	Bermuda Rate	Not Covered	Not Covered	Not Covered
Airfare - per policy year	\$3000 per patient	Not Covered	Not Covered	Not Covered
Hotel Costs (Levels 1&2)	Max \$130/day, policy yr max 60 days or \$7800	Not Covered	Not Covered	Not Covered



Cost Projections

FY 2010

	Option 3A	Option 3B	Option 3C
Seniors (25%)	\$ 9,503,333	\$ 9,656,667	\$ 9,700,000
<u>Government (75%)</u>			
Incremental Cost	\$ 9,410,000	\$ 9,870,000	\$ 10,000,000
Amount Implicitly Covered via Subsidy	\$ 19,100,000	\$ 19,100,000	\$ 19,100,000
Total Amount Paid by Government	<u>\$ 28,510,000</u>	<u>\$ 28,970,000</u>	<u>\$ 29,100,000</u>
Total FutureCare Program Cost (Seniors+Gov't)	<u><u>\$ 38,013,333</u></u>	<u><u>\$ 38,626,667</u></u>	<u><u>\$ 38,800,000</u></u>

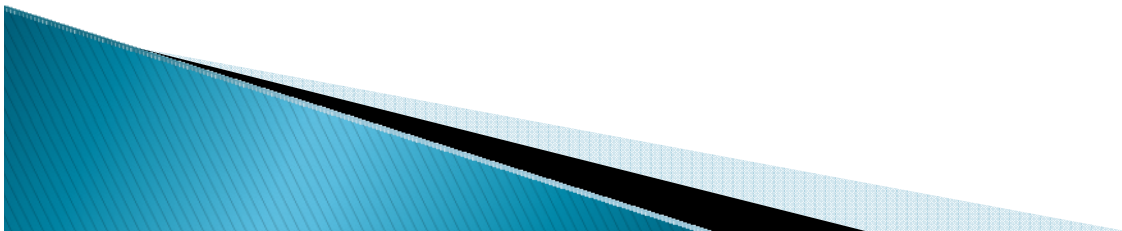


Monthly Premiums

(Based on Cost Projections)

FY 2010

	Option 3A	Option 3B	Option 3C
Premium Breakdown (monthly):			
Seniors	\$ 255	\$ 260	\$ 261
<u>Government</u>			
Incremental Premium (for Gov't):	\$ 253	\$ 265	\$ 269
Amount Implicitly Covered via Subsidy	\$ 513	\$ 513	\$ 513
Total Amount Paid by Government	\$ 766	\$ 779	\$ 782
Total PMPM FutureCare Program Cost (Seniors+Gov't)	\$ 1,022	\$ 1,038	\$ 1,043



Recommendations

- ▶ Option 3B was proposed, and adopted by the Cabinet in February 2009

- ▶ Next Steps
 - Implementation of FutureCare began April 1, 2009
 - Transfer of eligible seniors enrolled in HIP to FutureCare began on that date
 - Incremental cost of \$10M to operate the plan in Year 1 to come from General Revenues
 - Ongoing policy analysis of design and implementation issues:
 - Long-term financing
 - Eligibility for seniors who are currently privately insured
 - Further premium subsidies for low-income seniors

