



Regulated Fees for SHB Consultation Brief

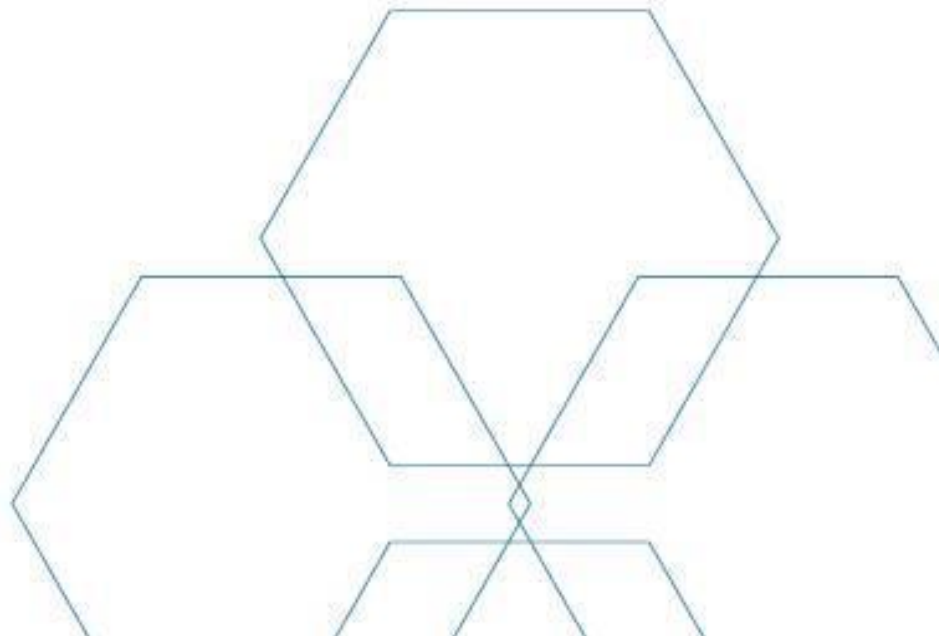
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Regulated Fees for SHB Consultation Brief

Purpose

1. The purpose of this initiative is to seek feedback about overall health system financing reform initiatives for Bermuda. This consultation is for Phase 1 of a three-phased process. Responses are being sought regarding regulated reimbursement rates for care provided in the hospital setting, such as Standard Health Benefit (SHB).¹ The fees charged for these services should be set in consideration of affordability and evidence-based use. The services included under SHB consider recent changes in the delivery and complexity of medicine. The fees affected by this consultation process are expected to be effective from 1st June 2018.

Authority

2. Section 13A of the Bermuda Hospitals Board Act 1970 requires consultation with physicians, dentists and health insurers; traditionally the Health Council has facilitated this consultation on behalf of the Ministry. In addition, Section 13 (1A) requires the Minister to consult with the Health Council prior to approving SHB hospital fees.

Consultation Topics

3. The Bermuda Health Council will lead the Phase 1 consultation process at the request of the Ministry of Health in relation to the following topics:
 - a. Medical fees under the Medical and Dental Charges Order (MDCO);
 - b. Dental fees under the MDCO;
 - c. Resource Based Relative Value Scale (RBRVS) for hospital fees modernization.

¹ Standard Health Benefit (SHB) are services mandated to be covered under every health insurance policy by approved providers.

Background

Medical Fees

4. The MDCO sets the rate for how to pay a non-hospital employed physician (local or international) when they deliver care in the hospital. The last increase to MDCO rates occurred in July 2015; the increase was 3%. The total fee charged by the physician is calculated by multiplying the MDCO rate by the number of units for the relevant procedure code based on the current relative value units for the procedure as documented by [Optum's Essential RBRVS](#) code book².

Example: per *Bermuda Hospitals Board (Medical and Dental Charges) Order 2016*

- Surgeons Dollar Value (\$18.77)
- Excision of Tongue Lesion (18.24 units)

Payment = \$18.77 x 18.24 = **\$342.36**

Dental Fees

5. The MDCO notes that dental procedures are to be billed in accordance with the most current Ontario Dental Association (ODA) Fee Guide. In 2010, a flat (without additional percentage applied) use of the ODA fee guide was formalized for KEMH-based dental services for children and adults. This fee guide is updated by the Ontario Dental Association on an annual basis.

Hospital fees

6. Health systems with high expenditure can be limited in their ability to innovate and develop programs for better health. An effective solution that has been

² A similar list of RBRVS values can be found within a publicly available dataset from the Centers of Medicare and Medicaid Services in the U.S.

adopted in various jurisdictions to manage system costs has focused on standardization of payment systems. For example, since 1992, the US government has utilized the Resource-based Relative Value Scale (RBRVS) standardized payment methodology to align the payment of a service to the complexity of that service. Therefore as medicine has become more efficient in some areas, the payments have adjusted likewise. The RBRVS was first developed in order to correct distortions in reimbursement rates between medical practices where some services were over-valued while others were relatively under-valued^{3,4}.

7. The health system in Bermuda has been using the RBRVS for regulated SHB community fees since 2015 after a three year period of development and consultation. When adopting such a system, some fees are expected to increase, while some will decrease from their current levels. A review of the values of current services reflect that some of our services such as *Diagnostic Colonoscopy* are currently undervalued based on their complexity, while others such as *Level 1 (lowest level) Emergency Visit* are overvalued and could see a decrease in payment.
8. To calculate the fees using the RBRVS, a simple formula is used:

$$\begin{aligned}
 & (\text{Physician Work Value} + \text{Practice Expense Value} + \\
 & \text{Malpractice Expense Value}) \times \text{Conversion Factor} \\
 & = \text{Regulated Fee} \\
 & \text{Example: } \textit{Biopsy of Lymph Nodes (CPT - 38530)} \\
 & (\text{Physician Work (8.34)} + \text{Practice Expense (6.03)} + \\
 & \text{Malpractice (1.75)}) \times \text{Conversion Factor (84)} = \\
 & = \mathbf{\$1,354.08}
 \end{aligned}$$

9. Within the RBRVS model, each value component (e.g., Physician Work) can be adjusted to account for the relative cost of doing business in Bermuda. For example, if the salary of a surgeon in Bermuda costs 30% more than a surgeon’s salary paid in Manhattan, New York, then you can multiply the New York Physician Work Value by 1.3 to adjust for Bermuda’s cost of doing business.

Consultation and Your Feedback

10. Consultation will include three phases. Phase 1 occurs 9th March 2018 – 23rd March 2018. Phase 1 consultation invites you to send your feedback in writing to healthcouncil@bhec.bm by 11:59 p.m. on 23rd March 2018. You can also submit feedback through our survey ([Click for Survey to Submit Feedback](#))
11. Your responses will be collected, collated, and forwarded to the Ministry who will make a decision. **Phase 1 includes review of hospital-associated SHB fees only.**
12. More specifically, your feedback on the below options is invited. In considering the options in respect of the three topics, some questions are posed to guide your responses.

Medical Fees

- *Medical Fees: Do you support the increase of 2.5% for MDCO?*
 - *Medical Fees: How does your facility currently use MDCO guidance for fees?*
 - *Medical Fees: Should visiting physicians (not locally registered) be paid more, less or the same as local physicians?*
- Option 1:** Increase MDCO Dollar Value by 2.5% for Surgeons, Obstetricians, Anaesthetists, Evaluation and Management by General Practitioners, Evaluation and Management by Specialists (Including Paediatricians), Evaluation and Management by Paediatricians-

³ Hsiao WC, Braun P, Dunn DL, Becker ER, Yntema D, Verrilli DK, et al. An overview of the development and refinement of the resource-based relative value scale. The foundation for reform

of U.S. physician payment. Med Care. 1992;30 (11 Suppl):NS1–12.

⁴ Laugesen MJ. The resource-based relative value scale and physician reimbursement policy. Chest. 2014;146:1413–1419.

Neonatology, Evaluation and Management by Internal Medicine Specialists (Schedule 1); and increase Set Fees for OB/GYN by 2.5% (Schedule 2)

- Option 2:** Increase MDCO dollar value by 2.5% for Surgeons, Obstetricians, Anaesthetists, Evaluation and Management by General Practitioners, Evaluation and Management by Specialists (Including Paediatricians), Evaluation and Management by Paediatricians-Neonatology, Evaluation and Management by Internal Medicine Specialists (Schedule 1) and align set fees for OB/GYN to hospital fee schedule (Schedule 2)
- Option 3:** Maintain status quo from 2017/18

Dental Fees

- *Dental Fees: Do you support the update of Dental Fees to the 2018 ODA Fee Guide?*
- Option 1:** Update MDCO to reflect the 2018 ODA Fee Guide (paediatrics and adult)
- Option 2:** Develop new Dental Fee Guide for Bermuda
- Option 3:** Maintain status quo from 2017/18

Hospital Fees

- *Hospital Fees: Do you support the adoption of RBRVS for Hospital Fees?*
- *Hospital Fees: How does your facility currently use hospital fees in the development of non-hospital charges?*
- Option 1:** Adopt RBRVS for Hospital Outpatient fees based on 2017/18 revenue neutrality
- Option 2:** Adopt RBRVS for Hospital Outpatient fees based on alternate fiscal year revenue neutrality
- Option 3:** Maintain status quo from 2017/18

Continuing the Consultation Process

13. At the end of Phase 1, your consultation feedback will provide a framework for aligning hospital fees to international best practices for standardization, and with consideration to better competition within the healthcare sector. This work will lay the foundation for Phase 2.
14. On 5th April 2018, the Health Council will begin Phase 2 of consultation; this phase will end on 31st July 2018. This phase of consultation will build upon the health services survey that was completed by over 700 residents in 2017. Phase 2 will continue to invite feedback from the public including more targeted focus groups with key health system stakeholders.
15. At the end of Phase 2 it is anticipated that a list of healthcare benefits will be compiled which would enable every resident (insured and uninsured) to access a more complete set of health services. These services would be priced using the methodology from Phase 1 and in consideration of the concept of affordability.
16. Phase 3 will commence in September 2018 and enable the Health Council to complete actuarial modelling of the proposed services from Phase 2 and provide technical guidance to the Ministry to enable final decision making about Bermuda's health system. Phase 3 will not invite additional formal feedback from stakeholders, although local and overseas subject matter experts may be contacted to fine tune the final reforms.
17. The three phases of consultation are with the view of progressing Bermuda towards more robust universal health coverage. The World Health Organization (WHO) defines universal health coverage as *ensuring that all people receive the promotive, preventive, curative, rehabilitative, and palliative care services they need, of sufficient quality to be effective, while the use of these services does not expose the user to financial hardship*⁵. Universal health coverage is an explicit goal of Bermuda's

⁵ World Health Organization. Health financing for universal health coverage. What is universal coverage? [Internet]. Geneva: WHO. Available from:

<http://www.who.int/health-financing/universal-coverage-definition/en/>



health system strengthening and a cornerstone of the health financing reform which includes steps being taken to modernize institutional fees.

References

- Bermuda Health Council Act: [Link](#)
- Hospital Fees Regulations: [Link](#)
- Standard Health Benefit Regulations: [Link](#)
- Medical and Dental Charges Order 2015: [Link](#)
- Medical and Dental Charges Order 2016: [Link](#)
- Ontario Dental Association Website: [Link](#)
- Ontario Dental Association Fee Guide 2017: [Link](#)
- RBRVS Relative Value Files: [Link](#)
- RBRVS Overview: [Link](#)
- RBRVS Fact Sheet: [Link](#)