Statement to the Legislative Assembly - June 2014
By: Hon. Osbourne V. Bodden, JP (Minister for Health, Sports, Youth & Culture)
Re: The Health Services Authority's (HSA) Bad Debt

Madam Speaker, I would like to speak to the issue of the HSA's 'bad debts' that was raised in last week's finance committee meetings, and take this opportunity to clarify a few facts.

Firstly, I would like to clarify that this $70 million is HSA's estimated provision for bad debt as at June 2015. For the current financial year 2013/14, the estimated gross at year end is $55 million. Madam Speaker, for Members' information, the HSA's Bad Debt Policy defines a 'bad debt' as "any outstanding sum of money owed to HSA that has not been paid after 365 days, despite repeated efforts to collect the debt".

Madam Speaker, it is important to note that this "bad debt" is not due to a lack of effort from the HSA trying to collect these defaulted payments. The HSA makes significant effort to collect the outstanding balances, including:

- Collecting up-front payments for services. This includes payment from those who are uninsured or their service is not covered under their plan, and insurance co-pays and deductibles
- Collecting a deposit for scheduled / elective procedures

- Working with the Department of Children & Family Services for co-ordination of Indigent Coverage for those that are unemployed

- Assisting those persons who have a self-pay portion to set up a payment plan

- Working closely with both overseas and local collection agencies

Many of the measures have been put in place over the past few years, and we have slowly seen some of the results from them. However, Madam Speaker, the Authority's newly appointed Board of Directors quickly realized that current methods were not necessarily as effective as initially hoped, and they resolved to undertake a review of the situation to try and identify possible improvements and alternative solutions. To that end, Madam Speaker, the Board has established a working group, tasked with identifying, assessing, and implementing more innovative and aggressive actions to collect outstanding funds and to reduce the projected bad debt provision for 2014/15.

Madam Speaker, this working group is working hard to identify a number of innovative options, and they will assess each possible option to determine its feasibility and effectiveness, ensuring that the actions taken are in keeping with the HSA's mandate to provide access to excellent, high quality care to our residents. I am confident, Madam Speaker, that the working group will make sound, rational, well-reasoned and effective recommendations to the Board and the HSA Management Team, and I look forward to seeing the results of this work when we review the figures at the end of the financial year.

I have often said, Madam Speaker, that each and every one of us has a personal responsibility for our health. Achieving our national vision of "health and well-being for all in the Cayman Islands" can only be done if each of us plays our part in achieving that vision.

Similarly, the causes and contributing factors to the Health Service Authority's bad debt cannot be attributed to one stakeholder – there are many will scenarios currently faced by the HSA Patient Financial Department that can result in a "bad debt" being incurred. I would like to take this opportunity to highlight some examples, Madam Speaker, to help Members to have a better understanding of some of the situations, and the complexities, that lead to these "bad debts."

- Sometimes an insurance company declines a payment claim for service that a patient thought would be covered. If the patient does not have the money to pay the bill, and the insurance company declines coverage after the treatment was received, the bill often goes unpaid.

- If a patient is at the hospital 'after hours' the staff cannot check to see if the patient has reached their deductible, as the insurance company is closed after hours. This was the issue that the Real Time Adjudication software (PAS) was intended to correct because insurance benefits would be electronically verified at the time of service. The system was first rolled out to CINICO members, however no significant impact in collections has been realized due to the fact that the majority of CINICO's members do not have a deductible. This first phase is currently being evaluated to determine how to proceed.

- Some employers are not paying the insurance premiums for their employees, allowing their coverage to lapse. In the event that the employee is unaware of this, they could receive medical treatment and not be aware of the lack of coverage. As with the first example, if the patient does not have the money to pay the bill, and the insurance company declines coverage after the treatment was received, the bill often goes unpaid.

- There are also those patients who do not fall into one of the output categories that is funded by Cabinet. For example someone who might make an income that places them slightly over the threshold to be considered 'indigent' may still struggle with paying medical bills, resulting in further "bad debt". It is also worth noting that while Government does have an agreed set amount to pay for outputs – such as indigents – the actual cost sometimes exceeds the budgeted amount – again adding to the 'bad debt'.

- With our somewhat transient workforce, patients who have an outstanding bill may move off-island without paying off their balance.

- The number of visitors to our shores also exacerbates the situation. Madam Speaker, it is not uncommon to have a cruise ship visitor fall ill and come to the hospital. For example, a cruise ship passenger may have a medical emergency while visiting, but may not have enough money to pay the hospital bill. As a visitor to the island, once they have returned to their home country it is very hard to collect payment.

- In many cases, if a visitor is admitted for something serious and requires a long stay, the bill can easily be in the tens of thousands of dollars – and if they are a visitor, it often proves very difficult, if not impossible, to collect for these charges once they have left the Cayman Islands.

- For example, last year an 84 year old passenger had difficulty while swimming, where he became unresponsive, experienced respiratory distress, non-fatal drowning and required cardiac monitoring as well as medication. This patient was considered self-pay as he was on US-based Medicare, and he did not have the money to pay the $24,000 bill. These are not small amounts and soon add up to very large numbers.

I should also point out, Madam Speaker, that although some visitor's' bills go unpaid, there are others that do pay, but are slow to pay and require a payment plan. For instance, another self-pay visitor who required care left with a $47,000 bill. Although the patient did not have the finances to pay the bill at the time of service, the daughter took responsibility and has been making regular payments. However, because of the large amount, this visitor's account will be outstanding for some time until the family is able to pay it off in full.

But I want to hasten to emphasise this is not just a visitor issue, Madam Speaker, as many of these non-payments contributing to the "bad debt" are from our residents. With the hospital currently seeing on average 300 patients per day, there is a constant risk of providing care to a patient that doesn't have the means to pay for the services. And it is not just the "big bills" that are contributing to the problem, but a number of smaller unpaid bills.

Madam Speaker, of the outstanding bad debts due to the HSA over the last 3 1/2 years, a staggering $10 million consists of individual's bills less than $1,000 each. That means a $300 bill here, an $800 bill there….and over time, all of these little bills add up. If these patients would pay even these small bills, it would make a tremendous contribution to addressing the outstanding patient receivables.

In closing, Madam Speaker, I want to remind everyone that while the HSA is working to arrive at innovative means of addressing this long-standing problem, we each have a role to play in solving it. Employers should adhere to the provisions of the Health Insurance Law and ensure that their employees and dependents have health insurance. Individuals should take the time to become familiar with their health insurance plans and benefits, so that they are not caught unawares when seeking medical services. We should all work to be part of the solution, and not part of the problem – if you or your family member has an outstanding bill with the Health Services Authority, please make every effort to pay it. It is not good enough to think "Government will take care of this" – we all need to do our part if we want to be able to continue to enjoy the level and quality of health care services we have come to expect.

And finally Madam Speaker, and perhaps most importantly, each and every one of us should take personal responsibility for our health – embrace healthy lifestyles and preventative care – to help ensure health and well-being for all in the Cayman Islands.

Thank you Madam Speaker

**Conducted in 2011 by TransUnion Healthcare*