



# The Nassau Institute

PO Box N-1688, Nassau, NP, Bahamas • Tel: 242 322 6300 • Fax 242 322-1361  
email: [info@nassauinstitute.org](mailto:info@nassauinstitute.org) • website: [www.nassauinstitute.org](http://www.nassauinstitute.org)

## NHI - Government flunks 'due diligence' test

By The Nassau Institute

---

**I**t is reported that the Government intends to table in Parliament its proposed National Health Insurance plan (NHI) before yearend. Let us "examine the deal" as if it were a private investment proposal in the securities market

### **NHI and the worker.**

The Government will provide residents...both legal and illegal...with healthcare that is to be "funded" by a tax on workers' income and a tax on the companies that employ them. The Government without exception will take money equally out of every worker's paycheck (and out of his employer's income) with the promise to deliver healthcare as needed by the worker and his family.

The need of any worker for healthcare increases significantly with age; that is a fundamental fact of life. During a person's lifetime more than 50% of one's total lifetime healthcare expenditures come after age 65. Young Bahamian workers will likely "invest" in the plan for up to 30 or 35 years before they receive significant benefits from the plan. Their payments into the system may be viewed as an investment; and the healthcare services they use as their payout, or the return on their investment. This is a long-term investment; and there is a risk that the payout may not be what was promised when the worker-investor entered the program.

Because of the size of the investment, the worker has a "need to know" about the fundamentals of the plan. His "need to know" certainly equals that of the healthcare providers...for instance, doctors, dentists, nurses, etc...whose careers may be affected adversely by this legislation.

In looking at the worker's "need to know", it is useful to look at Government policy as it relates to the investor in the securities market.

### **Government and the investor.**

The Bahamas International Securities Exchange (BISX) is that organization tasked by Government with regulating private corporations in the selling of their securities to Bahamian investors.

BISX is expected to protect the investor, promote capital formation and maintain an orderly capital market. In fulfilling these objectives, it is BISX's job to see that appropriate financial data and qualitative information are fully and fairly disclosed to the individual investor. That is the standard demanded by Government of private enterprise so that the investor can exercise "due diligence" in purchasing and selling securities.

Unfortunately, that degree of disclosure has not been observed by Government with respect to NHI.

**BRC disclosure.**

The worker has two roles in this "deal"; he is the consumer of health services and he is the mandated investor in the plan to provide those services.

The stated mission of the Minister of Health is to guarantee that healthcare will be provided to all "free from financial burden at the time of use." This is an unrealistic, utopian ideal that has great appeal to the worker as a consumer and to the politician seeking re-election. However, the statement is misleading...while worker may not pay at the time of healthcare usage, he is the tax payer funding the program.

The BRC has toured the country describing the plan from the consumers' point of view. Its Report did not state what the program would cost in total or in detail now or in the future. The mandated "long-term" worker-investor is left in the dark.

The Steering Committee was created to cover this deficiency; and it did publish an Executive Summary of its work. This was nothing more than "public relations spin" providing no substantive financial data of the type that BISX requires in the private sector.

The Summary showed a "Total cost of NHI" of \$235 million that was based on "projected 2005 data"; but the 2005 estimated cost was not disclosed. There are no audited financials or supporting details.

The projected cost is not associated with any specific year...there is no way of knowing whether that number is for 2006, 2007 or 2026. We do know that, even if there is no change in the population or the cost of healthcare inputs, the cost of the program will increase simply as a result of the growth in the number of people over 65.

**Conclusion.**

In short, there is no substantive forecast or financial plan in either the BRC report or the Executive Summary. As of this date Government has flunked the "due diligence" test on NHI by not providing substantive financial information to either the worker-investor or the service provider.

Date: September 11, 2006

Word Count: 736

**Mission:**

The Nassau Institute is an independent, a-political, non-profit institute that promotes economic growth in a free market economy with limited government, in a society that embraces the rule of law and the right to private property.

**Vision:**

To see The Bahamas become the first small, developed, sovereign country in the region, recognized as a model for the world.

**Web Site:** [www.nassauinstitute.org](http://www.nassauinstitute.org)