



Health(care) Economics: Part 2

Sausalito Rotary Club
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- **This slide deck was authored by:**

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Outline

- Brief review of US Healthcare System performance
- Healthcare Systems and Institutions
- Health Insurance and Reform



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The Three Legs of the Healthcare Stool

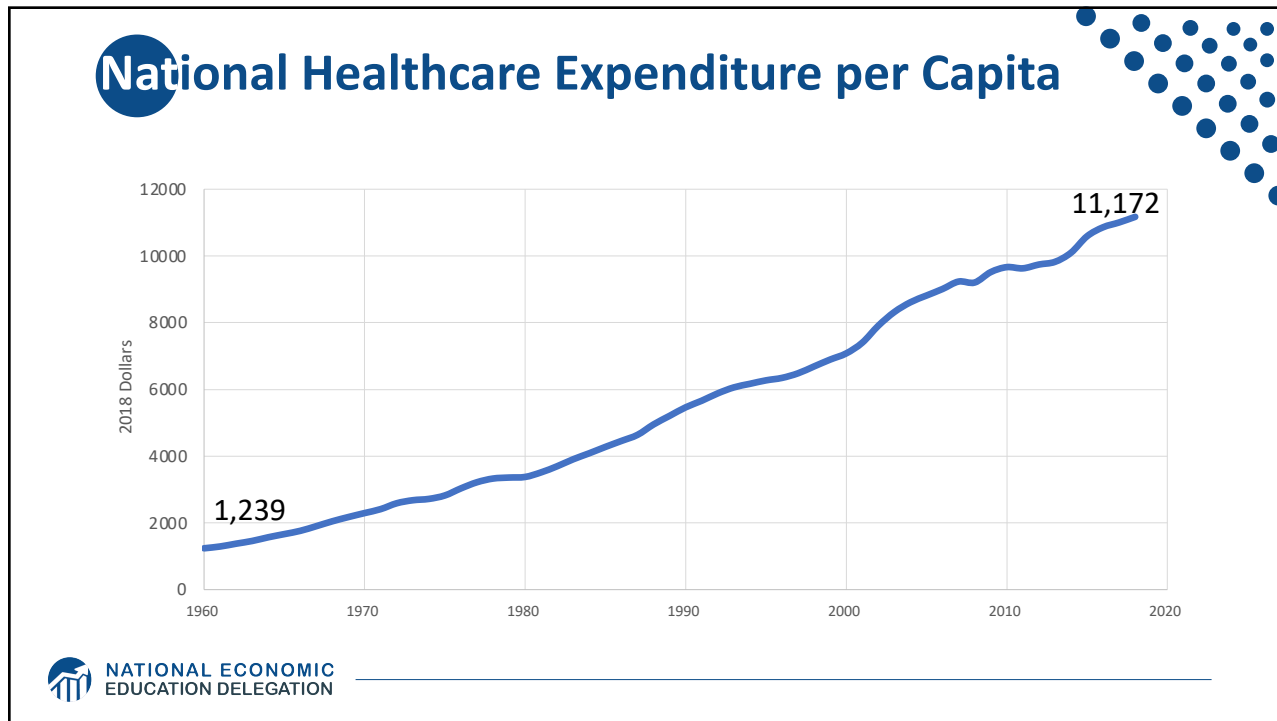
- **The market for Health Insurance is where they all come together.**
 - Access
 - Quality
 - Cost
- **We will discuss metrics of performance for each.**



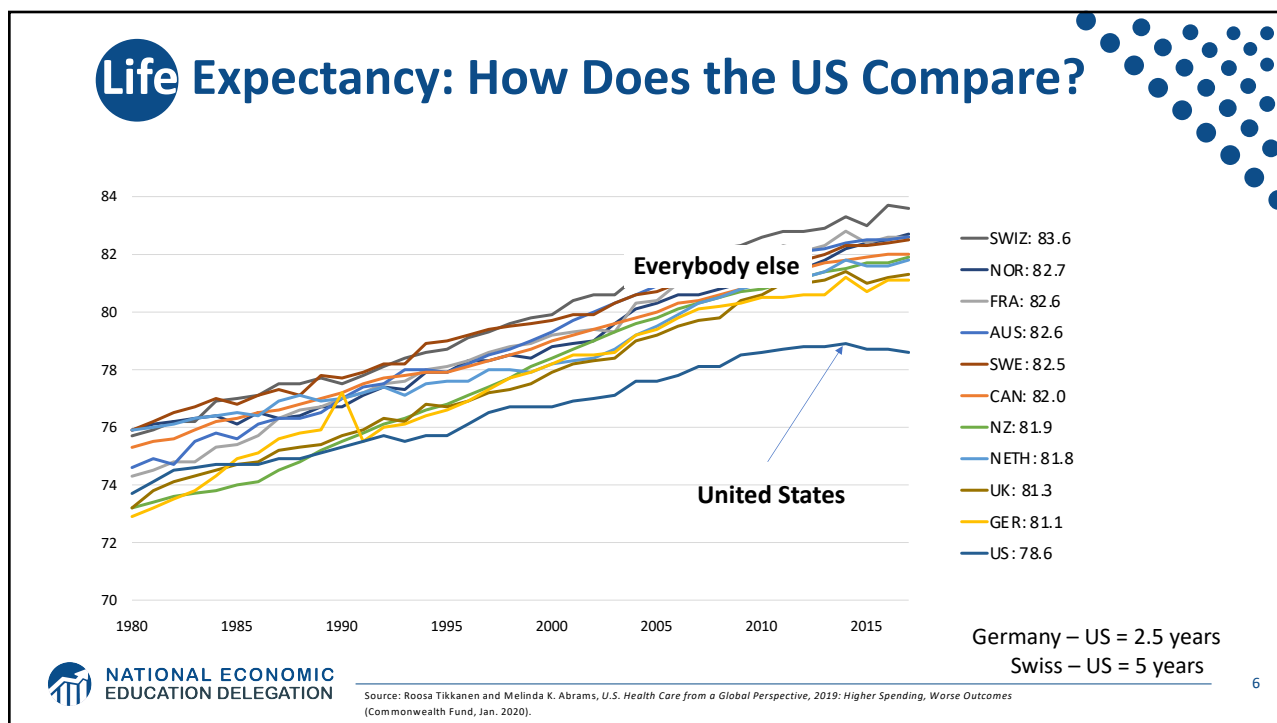
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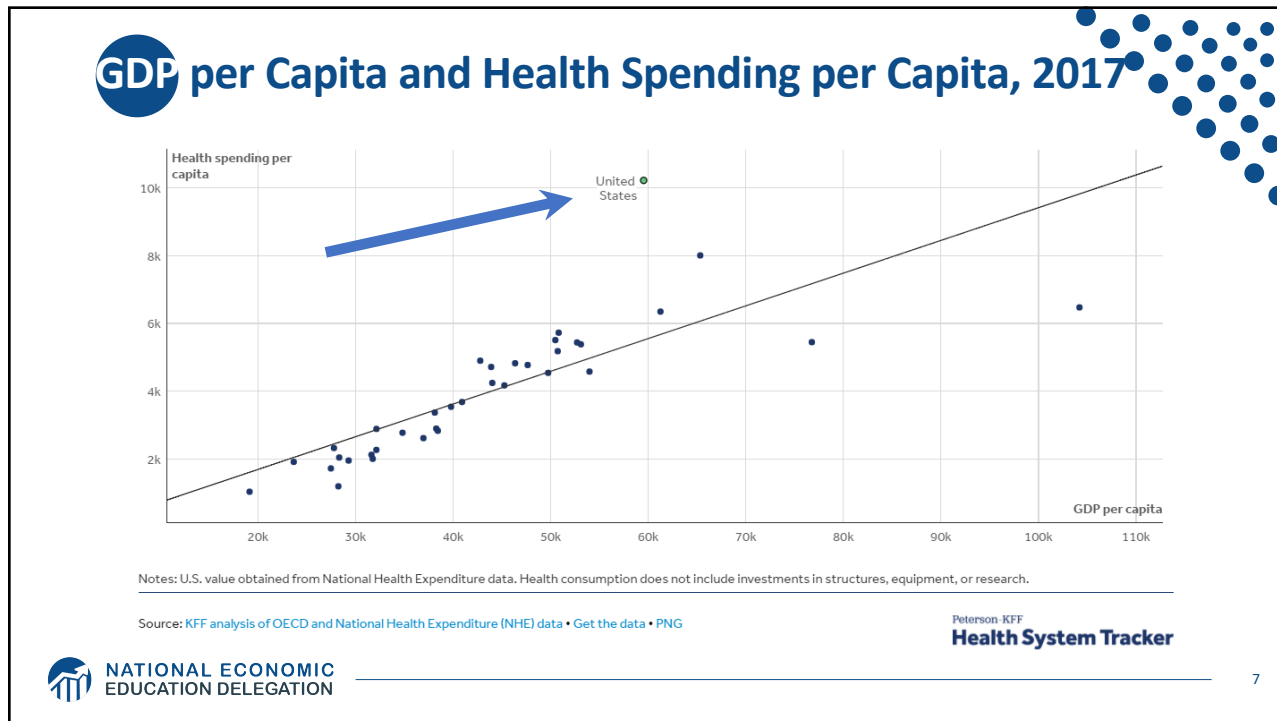
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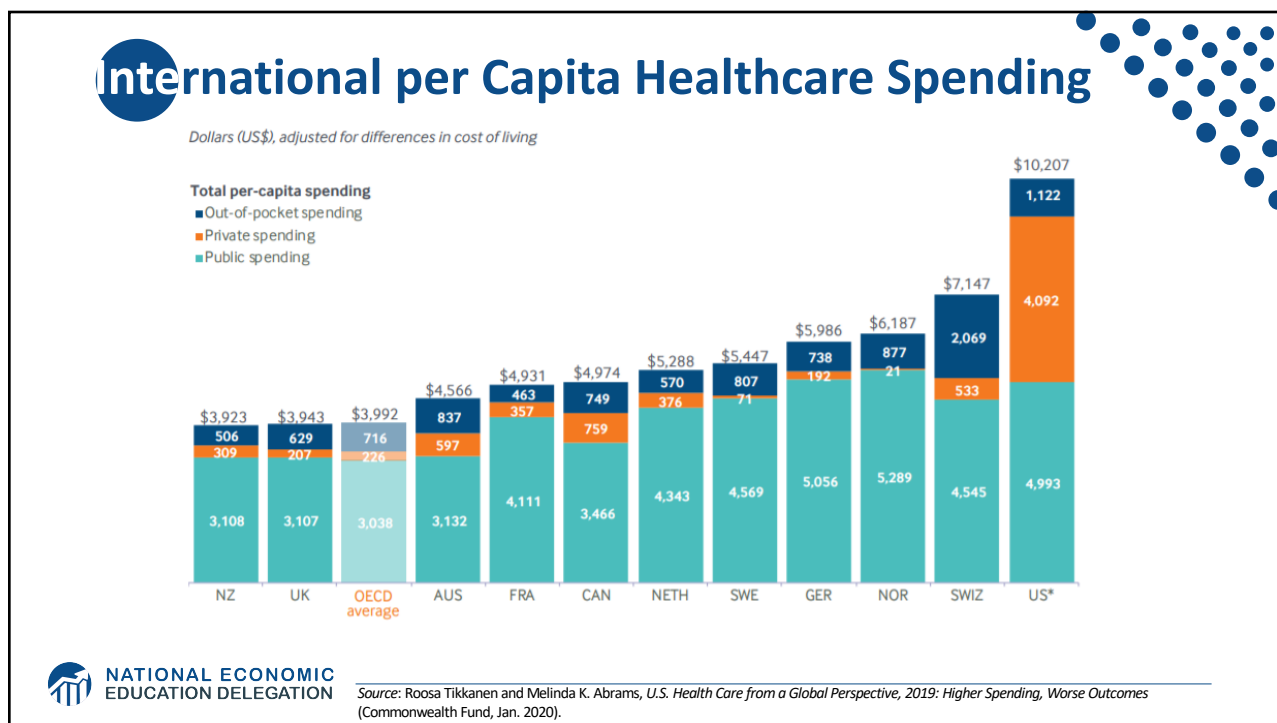
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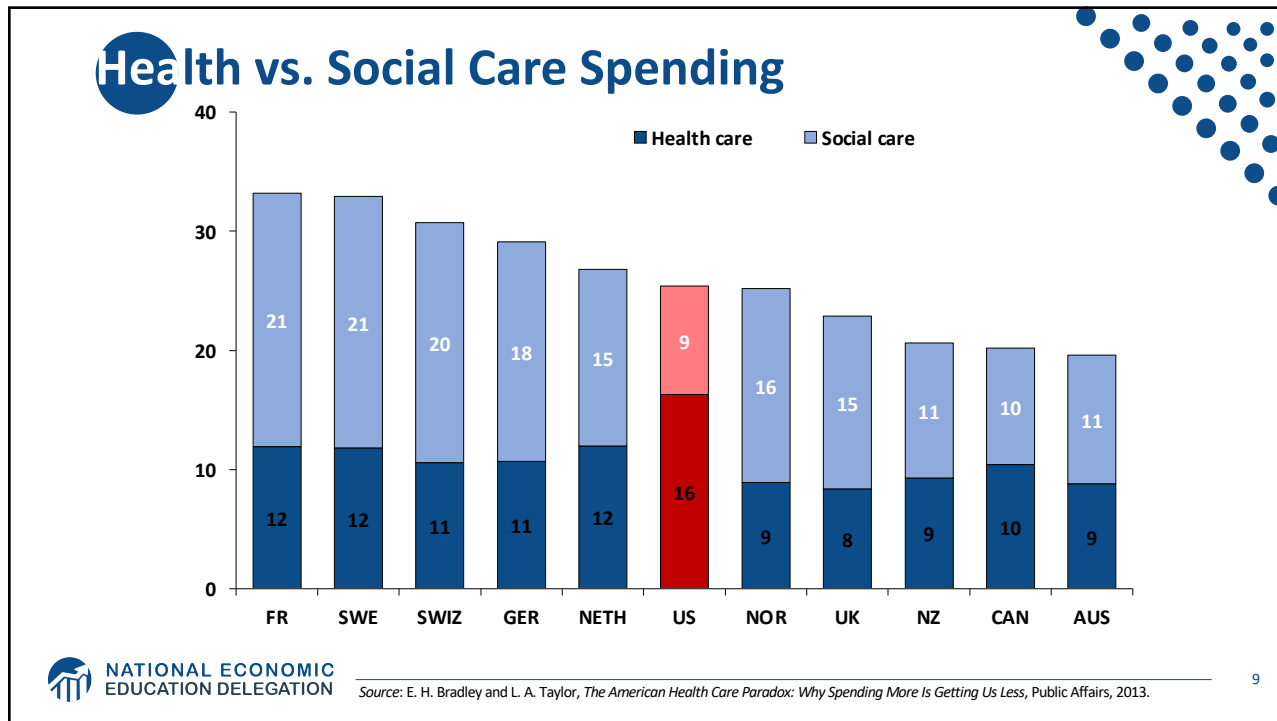
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Healthcare Systems and Institutions

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Health System Classification

- **Developed countries in the world have each taken a different approach in their healthcare delivery systems.**
- **5 basic models:**
 - National health insurance (Canada)
 - Bismarck (France, Germany, Japan, Switzerland)
 - Beveridge – socialized medicine (United Kingdom, Spain, New Zealand)
 - Out-of-pocket model – self insurance
 - Mixed (United States)

US Healthcare System

- Medicare – National Health Insurance
- Military Veteran Care – Beveridge model (socialized medicine)
- Employer-sponsored insurance – Bismarck model
- Individual market health plans - Bismarck model
- Uninsured – Out-of-pocket model

Health Insurance and Reform

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Definition: Universal Coverage

- **Universal coverage** refers to healthcare systems in which all individuals have insurance coverage.
- Generally, this coverage includes:
 - Access to all needed services and benefits.
 - Protects individuals from excessive financial hardships.
- Canada has universal coverage, but the United States does not.

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Definition: Single Payer

- **Single payer:** refers to financing a healthcare system by making one entity solely and exclusively responsible for paying for medical goods and services.
- It is only the financing component that is socialized.
 - The money for payment can be collected by either:
 - Taxes collected by the government
 - Premiums collected by National or Public Health Insurance
- **Single-payer systems: 17 countries**
 - Norway, Japan, United Kingdom, Kuwait, Sweden, Bahrain, Brunei, Canada, United Arab Emirates, Denmark, Finland, Slovenia, Italy, Portugal, Cyprus, Spain, and Iceland.



Definition: Socialized Medicine

- **Socialized medicine:** this model takes the single-payer system one step further.
 - Government not only pays for healthcare but operates the hospitals and employs the medical staff.
- This is NOT part of the current debate in the United States.



Definition: Third-Party Payer

- A **third-party payer** is an entity that pays medical claims on behalf of the insured. Examples of third-party payers include government agencies, insurance companies, health maintenance organizations (HMOs), and employers.
 - Employer-sponsored health plans
 - Individual market health plans
 - National health insurance

Affordable Care Act

- **Insurance reform**
 - Can not deny based on preexisting conditions.
 - Rates may not differ based on health.
- **Mandated that all residents be covered**
 - Sort of, teeth removed
- **Expansion of Medicaid**
- **Cost reduction measures**
 - Private insurance exchange
 - Cap on tax exclusion for employer provided insurance

Missed Opportunities in Reform

- **Single payer**
- **Public option**
- **Universal coverage**
- **Government negotiation**

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Summary

- US healthcare system does not perform well.
 - very expensive, with low quality and access.
- One of the main reasons for very high costs is the monopolization of healthcare markets.
 - Hospitals, health insurance, big pharma, physicians, etc.
- A few simple solutions could drastically reduce costs:
 - Enforcement of antitrust laws in this sector.
 - Introduction of a public option in the health insurance market.
 - Enable the US government to negotiate drug prices, as most other nations do.
- Universal health insurance would increase access and perhaps also reduce costs.
- But there are always tradeoffs: you can pick two, but the third might suffer.

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Thank you!

Any Questions?

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