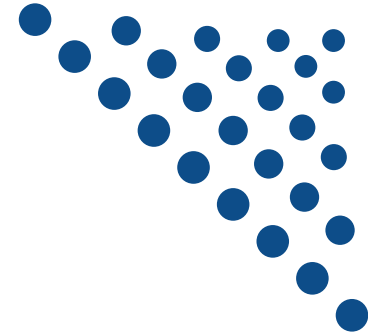


Health Economics is Big Business



- The United States spends A LOT on healthcare:
 - In 2022, U.S. national health expenditures were **16.9% of GDP**, which is equivalent to around **\$4.5 trillion**.
 - U.S. Healthcare is the 3rd largest economy in the world.
- For comparison, GDP in each country in 2022:
 - China: \$17.9 trillion (2nd largest economy)
 - **US Healthcare \$4.5 trillion**
 - Japan: \$4.2 trillion (3rd largest economy)
 - Germany: \$4.1 trillion (4th largest economy)

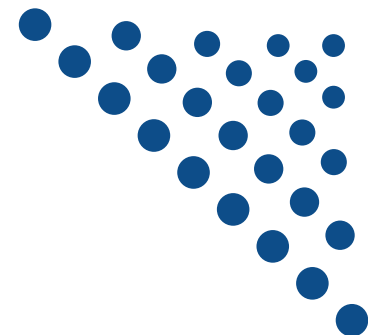
Markets Studied in Health Economics

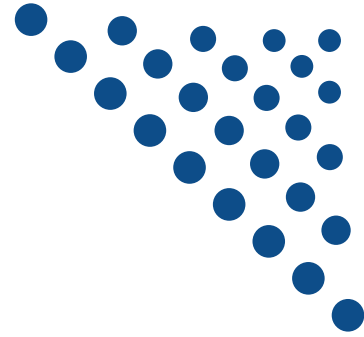


- **Markets for:**

- Physicians
- Nurses
- Hospital facilities
- Nursing homes
- Pharmaceuticals
- Medical supplies
 - such as diagnostic and therapeutic equipment
- **Health Insurance**

The Three Legs of the Healthcare Stool

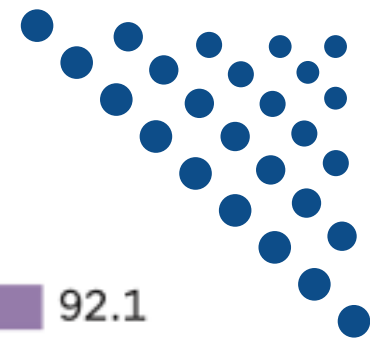




Access



Health Insurance Coverage, 2022 – 92.1%



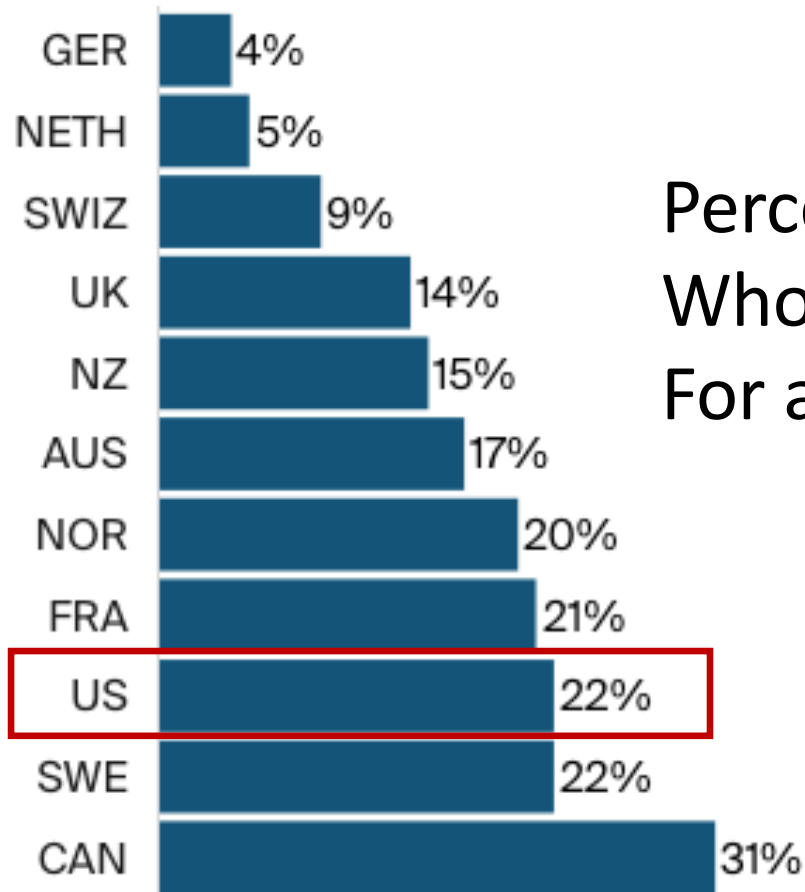
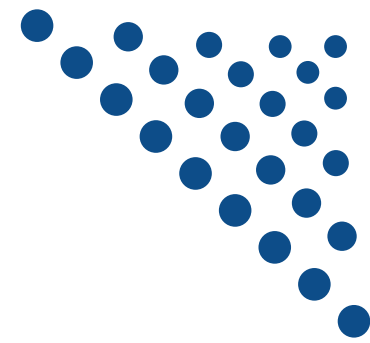
- **Countries with Less Than Universal Coverage**

Country	% of Persons
Slovakia	94.5
Chile	94.3
UNITED STATES	92.1
Poland	91.5
Mexico	90.2
Algeria	90.9
Jordan	55.0

- **Countries with Universal Coverage**

Countries	% of Persons
Australia	100
Canada	100
Czech Republic	100
Slovenia	100
United Kingdom	100
Greece	100
Hungary	100
And 21 more	99+

But What About Wait Times?



Percentage of adults aged 65+ Who waited more than 6 days For an appointment when sick.

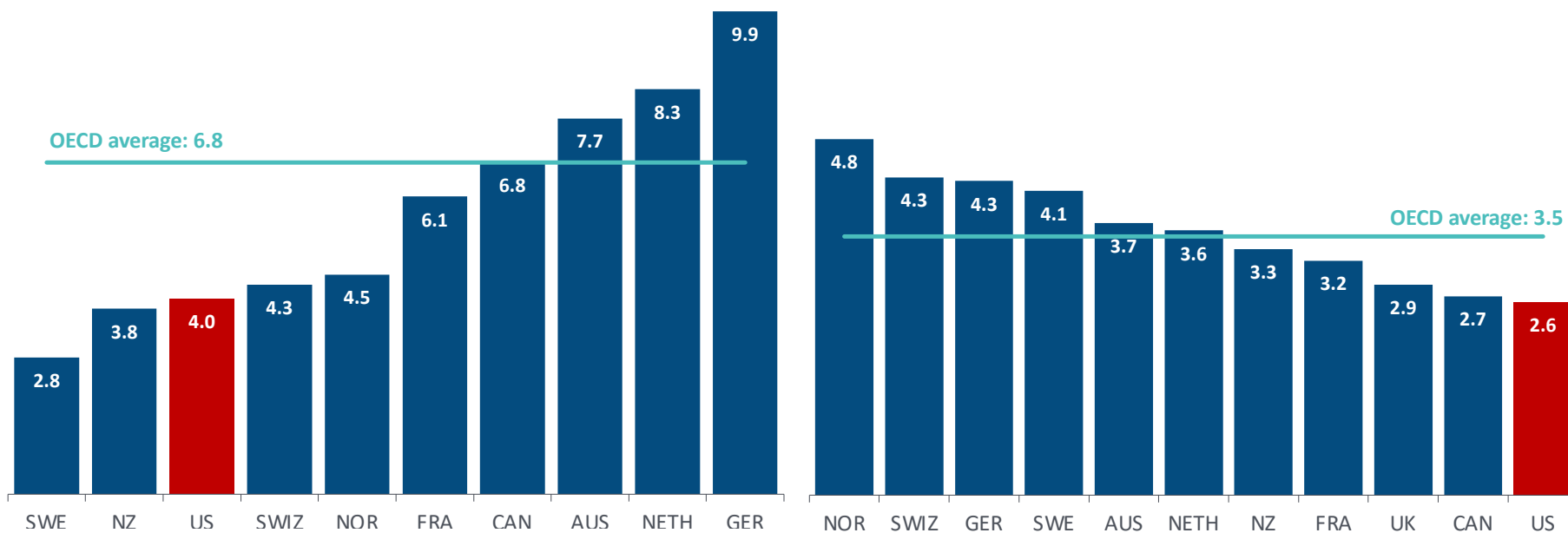


Physician Visits and Physician Supply

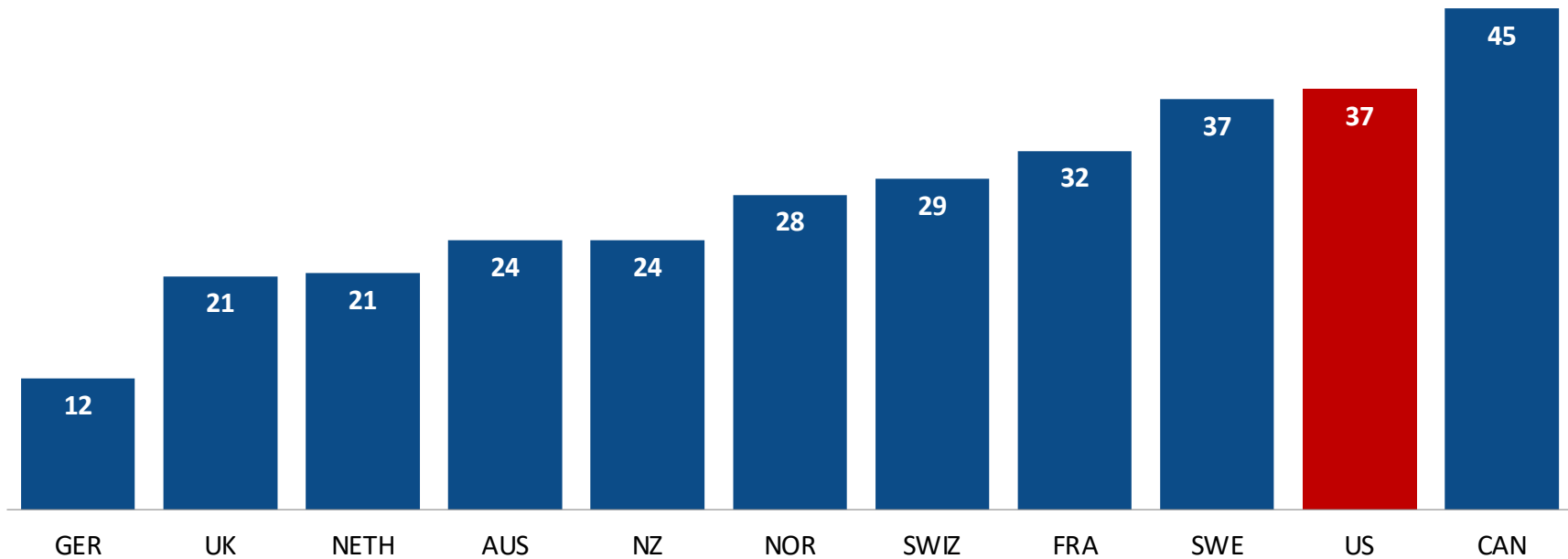


Average physician visits per capita, 2017

Practicing physicians per 1,000 population, 2018



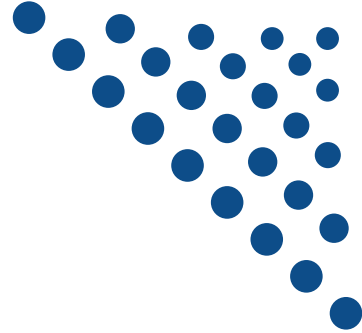
Percent of Women Ages 18–64 Who Reported Going to the Emergency Room in the Past Two Years



NATIONAL ECONOMIC
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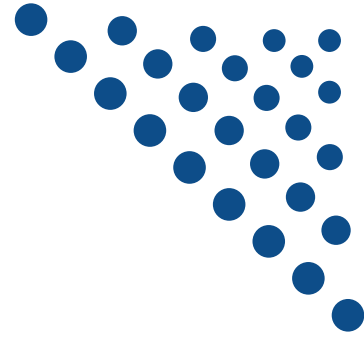
Source: Munira Z. Gunja et al., *What Is the Status of Women's Health and Health Care in the U.S. Compared to Ten Other Countries?* (Commonwealth Fund, Dec. 2018).

Access Notes



- **Insurance coverage in the U.S. is not universal.**
 - It is universal in every other developed country.
- **Wait times are not necessarily lower in the U.S.**
- **Supply of medical personnel and equipment may be lower than elsewhere.**
- **Emergency room use is higher in the U.S. than elsewhere.**

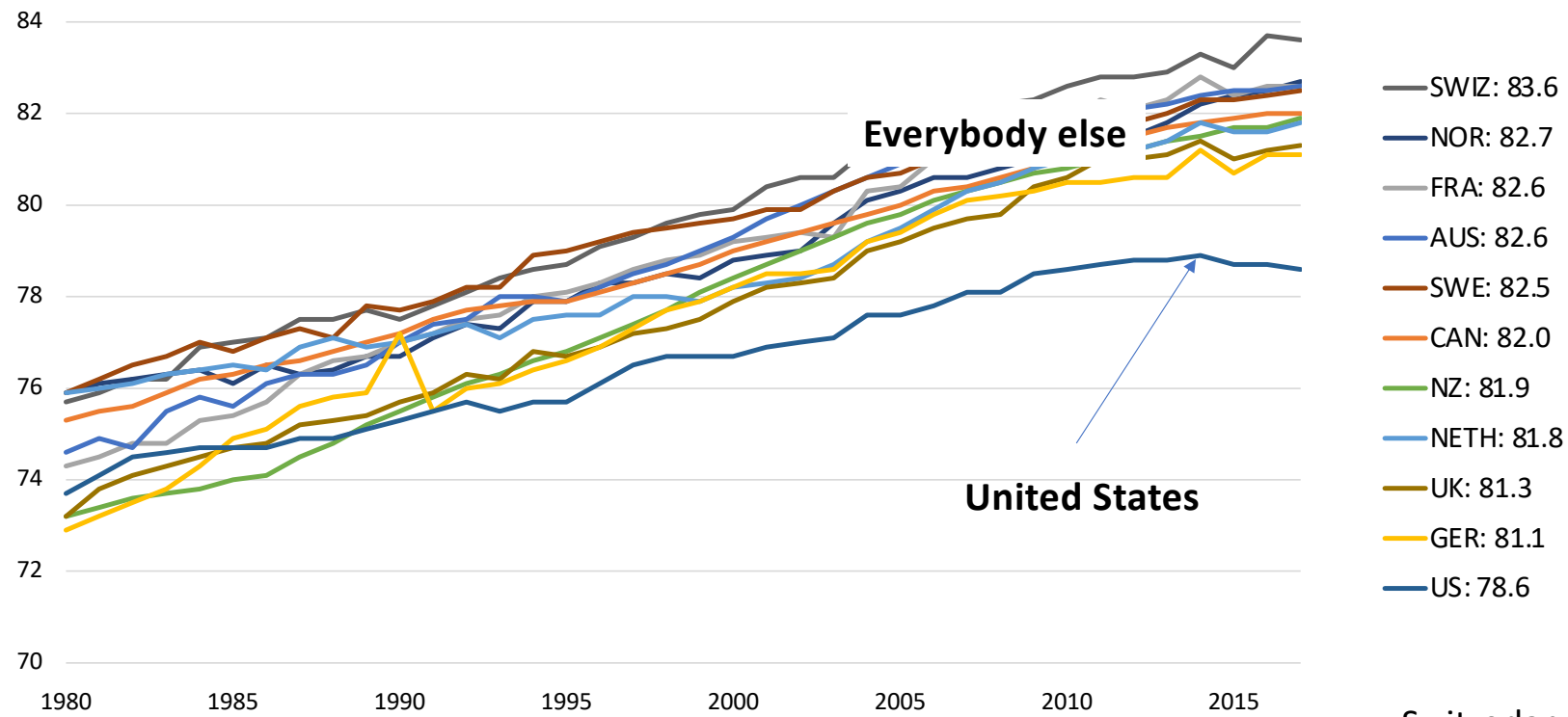
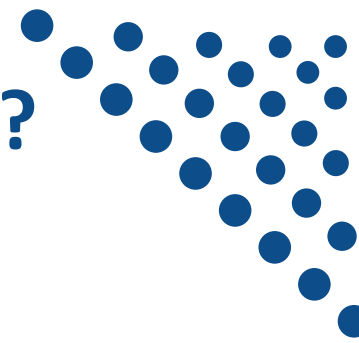




Quality

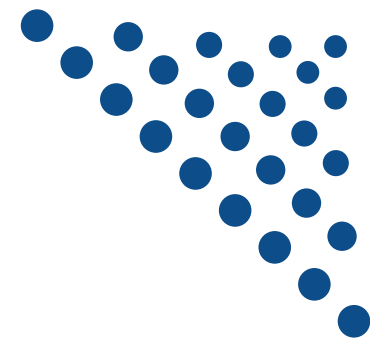


Life Expectancy: How Does the US Compare?

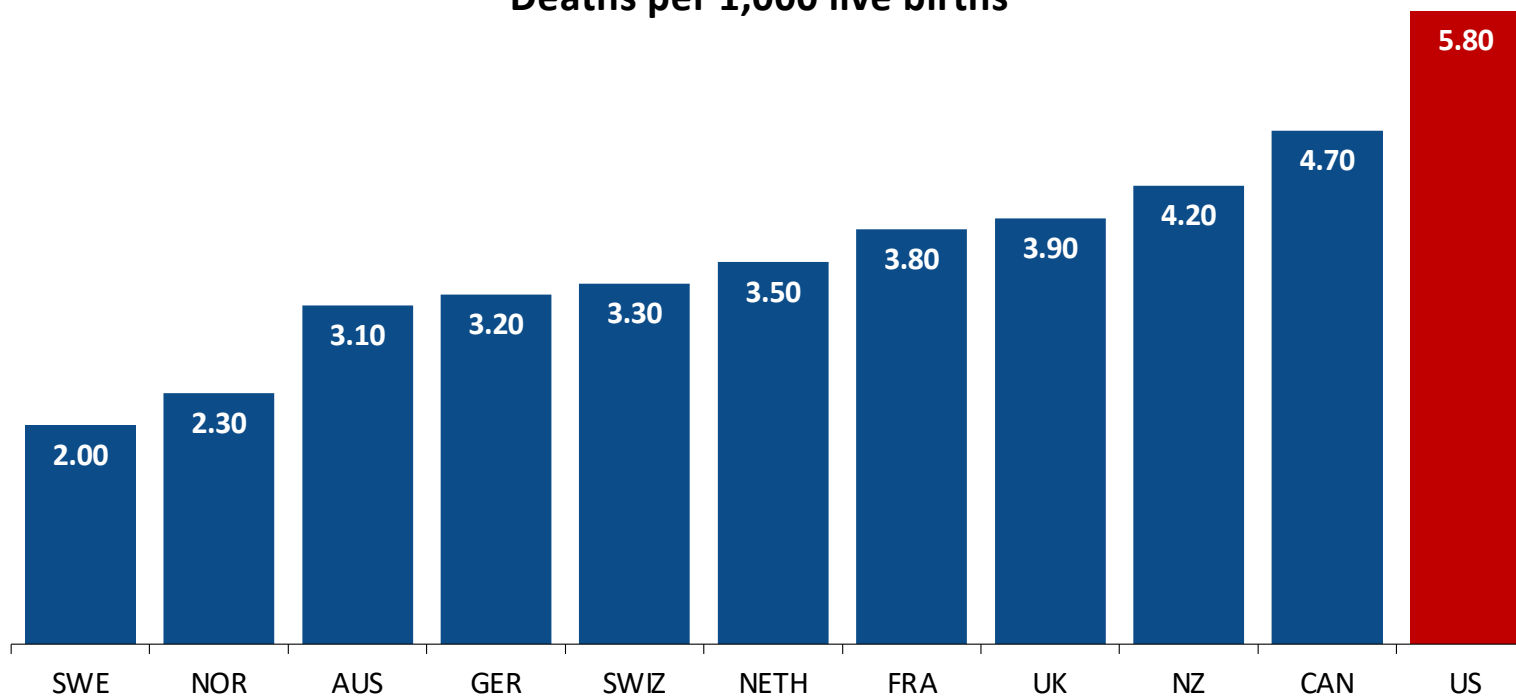


Switzerland – US = 5 years

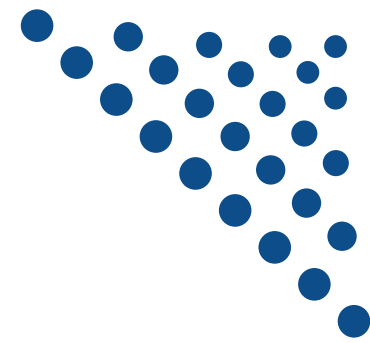
Infant Mortality International Comparison



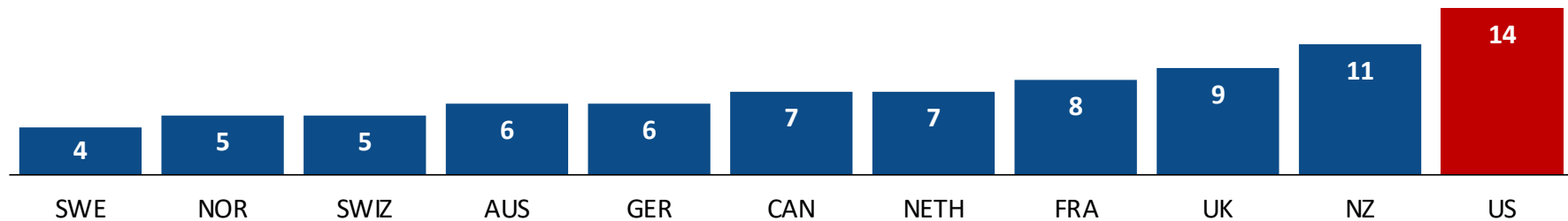
Deaths per 1,000 live births



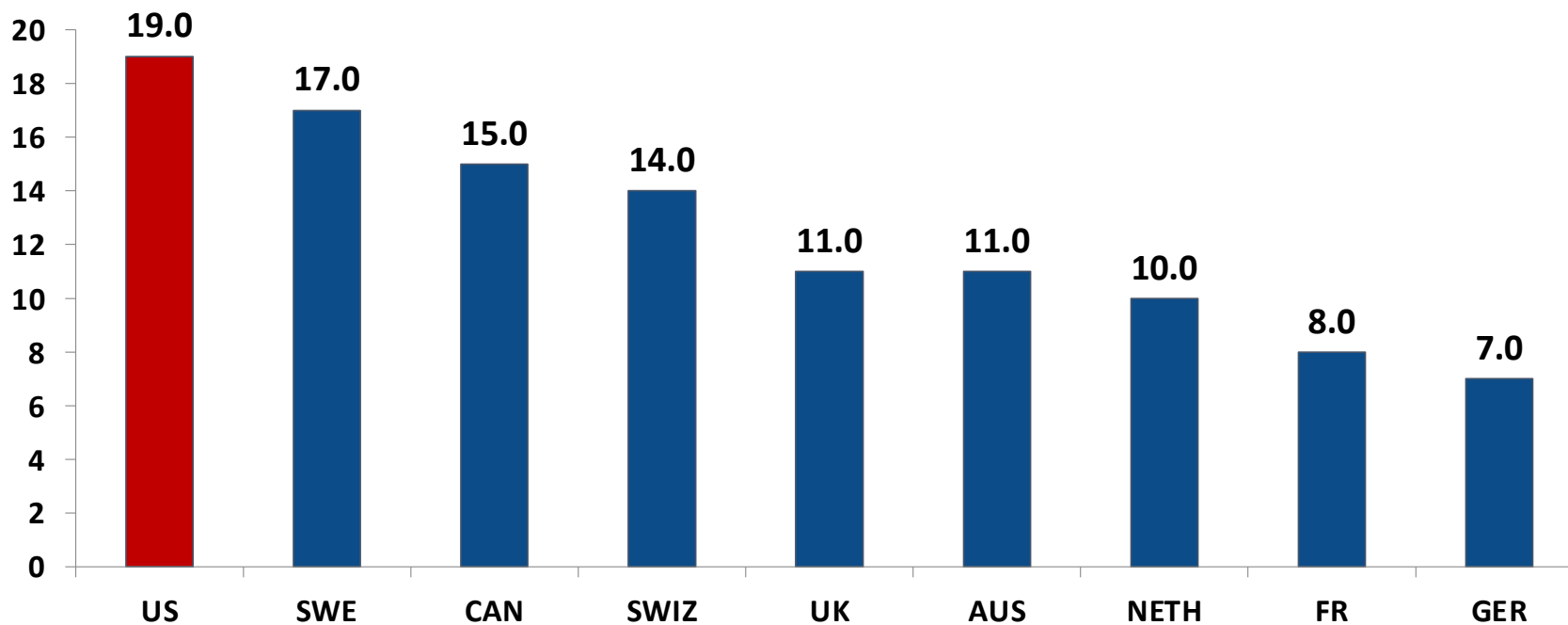
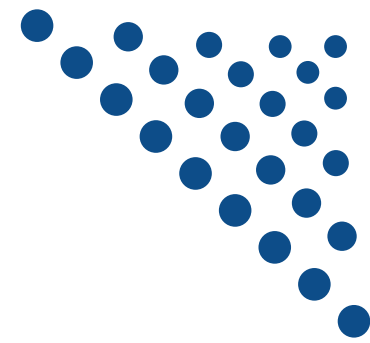
Maternal Mortality Rate



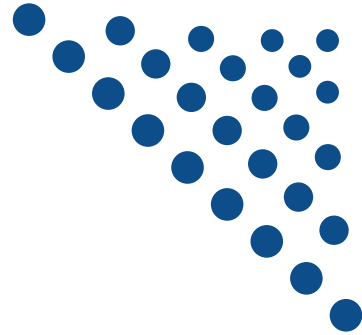
Maternal deaths per 100,000 live births.



Percent of adults who have experienced medical, medication, or lab errors or delays



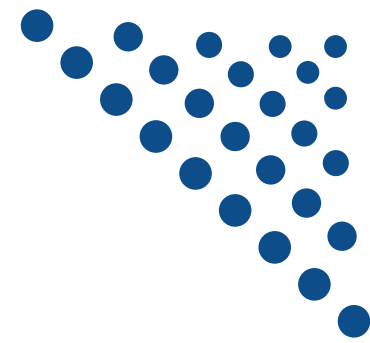
Prevention and Screening



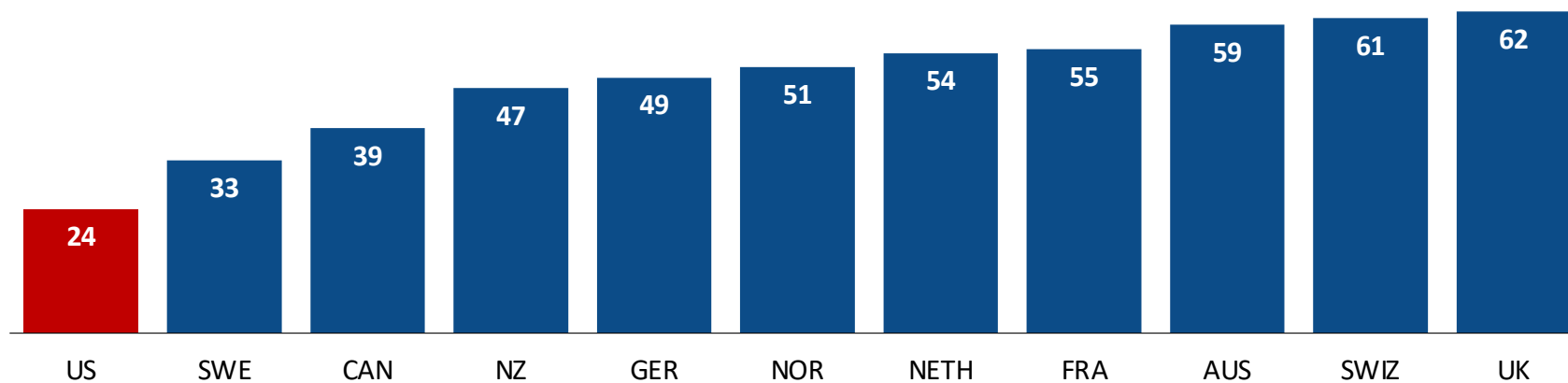
- The U.S. excels in **some** prevention measures (high ranking):
 - including **flu vaccinations** and **breast cancer screenings**.
- The U.S. has:
 - The highest average five-year survival rate for breast cancer.
 - But the Lowest for cervical cancer.



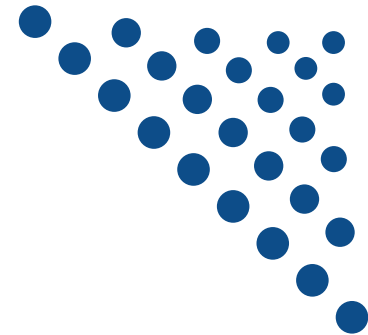
Perception of Quality of Medical Care



*Percent of women ages 18–64 who rated their quality of medical care as **excellent or very good**.*

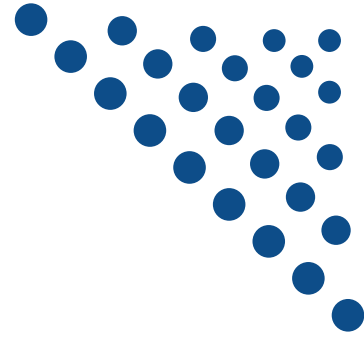


Quality of Care Notes



- **Metrics of quality in the U.S. are not very good.**
- **The system has bright spots!**
- **Quality of care is not considered very good in the U.S.**

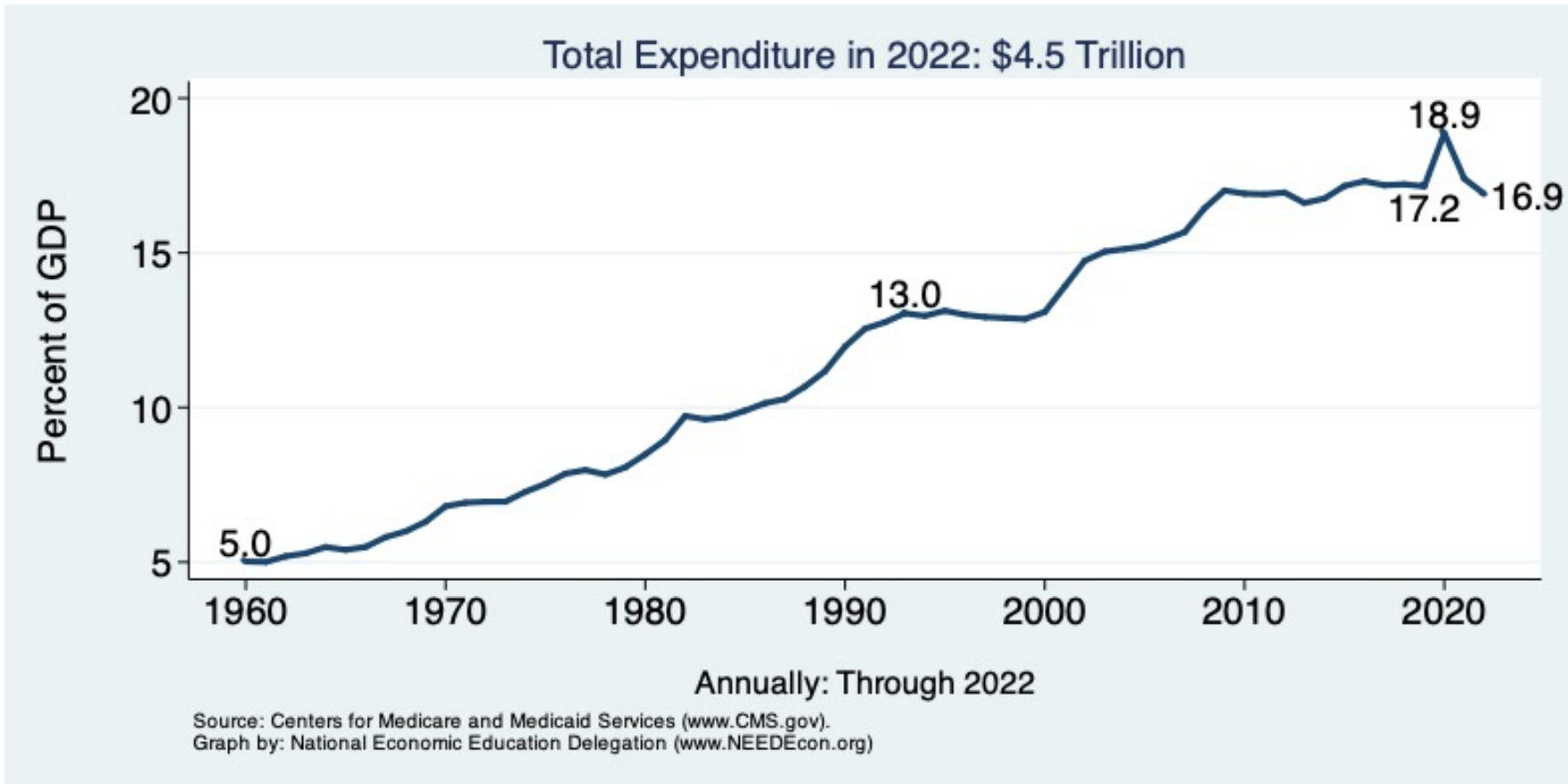




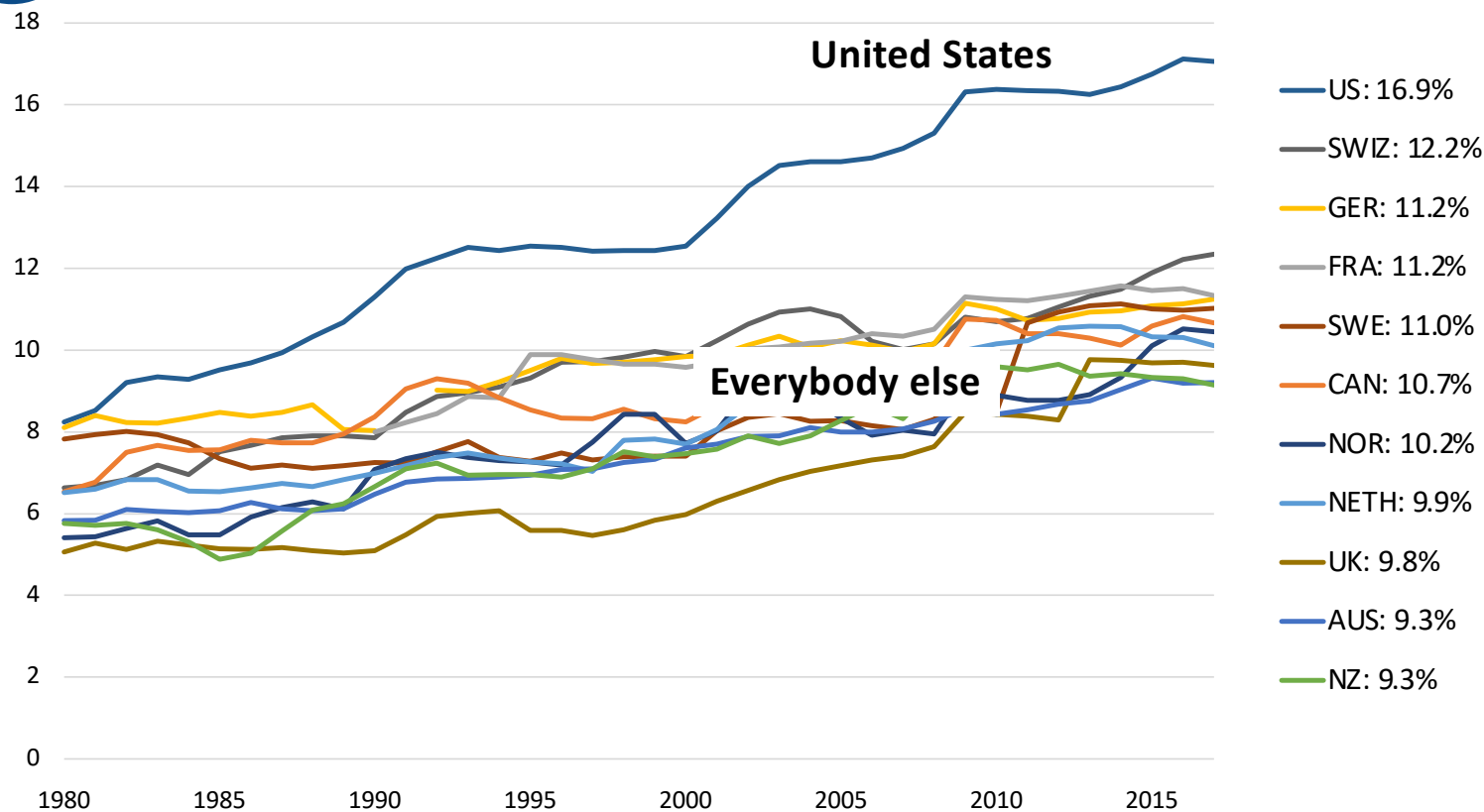
Costs



National Health Expenditure as Percent of GDP



Health Care Spending as % of GDP, 1980–2018

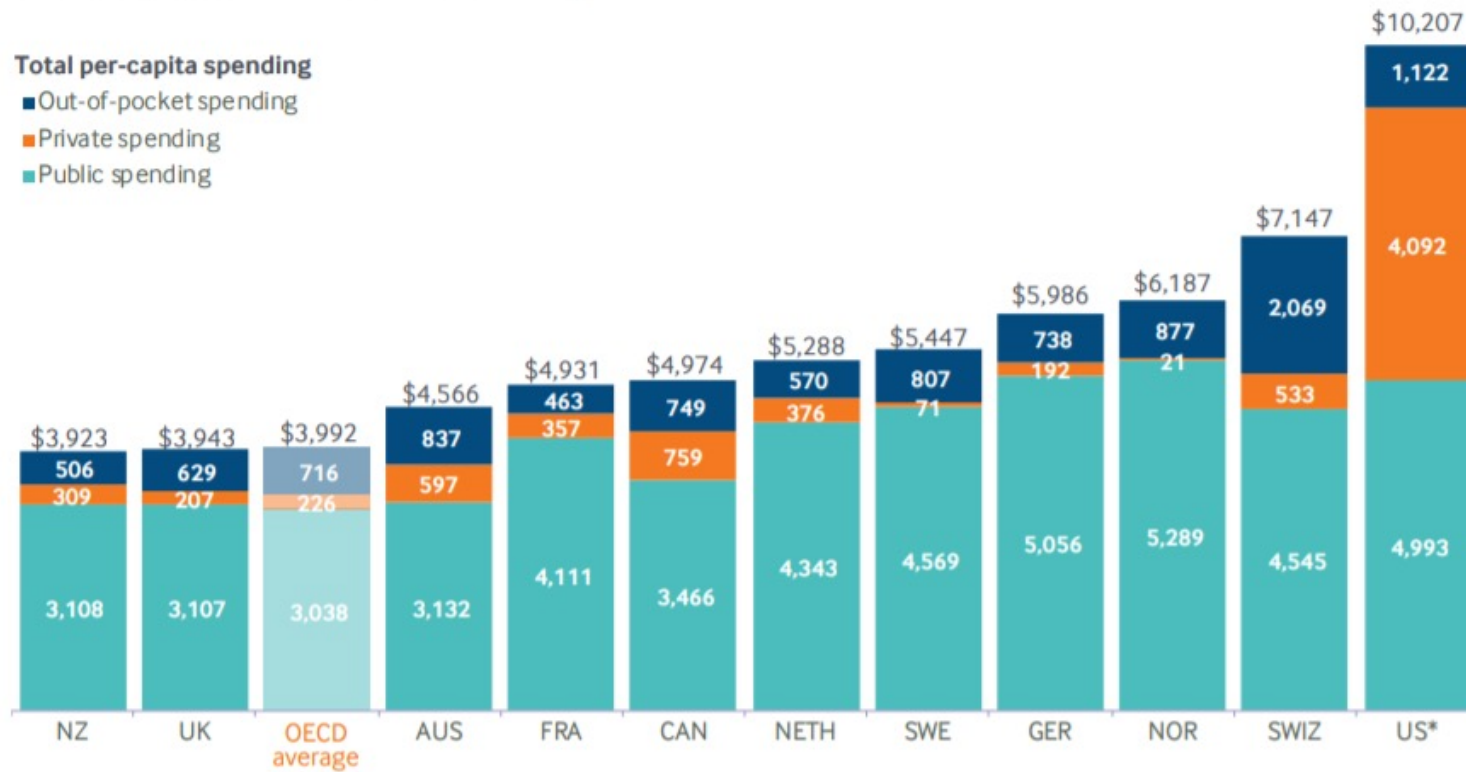


International Per Capita Healthcare Spending

Dollars (US\$), adjusted for differences in cost of living

Total per-capita spending

- Out-of-pocket spending
- Private spending
- Public spending



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Source: Roosa Tikkanen and Melinda K. Abrams, *U.S. Health Care from a Global Perspective, 2019: Higher Spending, Worse Outcomes* (Commonwealth Fund, Jan. 2020).

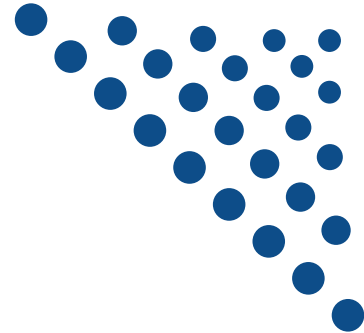
Why is Healthcare Spending Increasing?



- Costs in the United States, and elsewhere are increasing rapidly.
- The share of economic spending on health care has been steadily increasing for all countries because:
 - Health spending growth has outpaced economic growth.
 - Richer countries demand more services, like attention to health.
- Also because of:
 - Advances in medical technologies.
 - Increased demand for services.
 - Rising prices in the health sector – why?



Why Are Costs so High in the US?

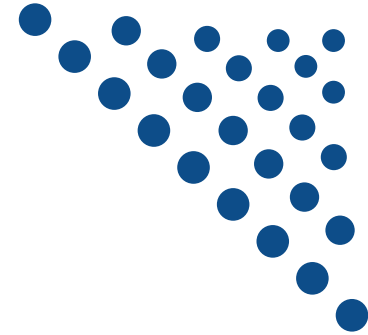


One Reason:

**The United States is the only
profit-motivated healthcare system in the world.**



Why Are Costs so High in the US?



Another Reason:

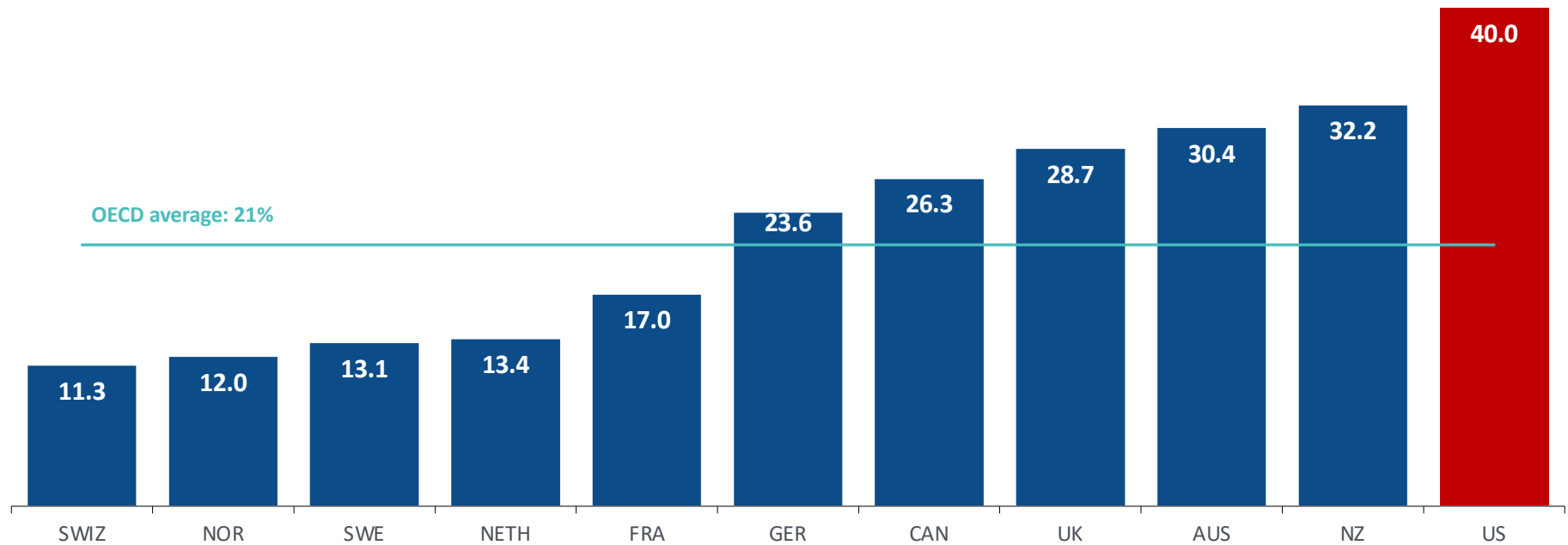
Our public health system isn't very good.

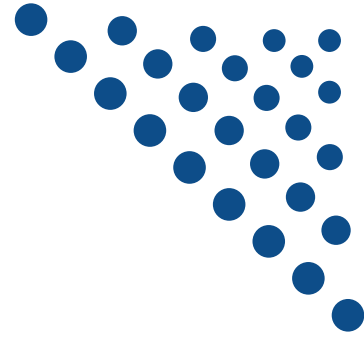
(We have a health RESTORATION system, NOT a health CARE system.)



Obesity Rates, 2017

Percent (%)

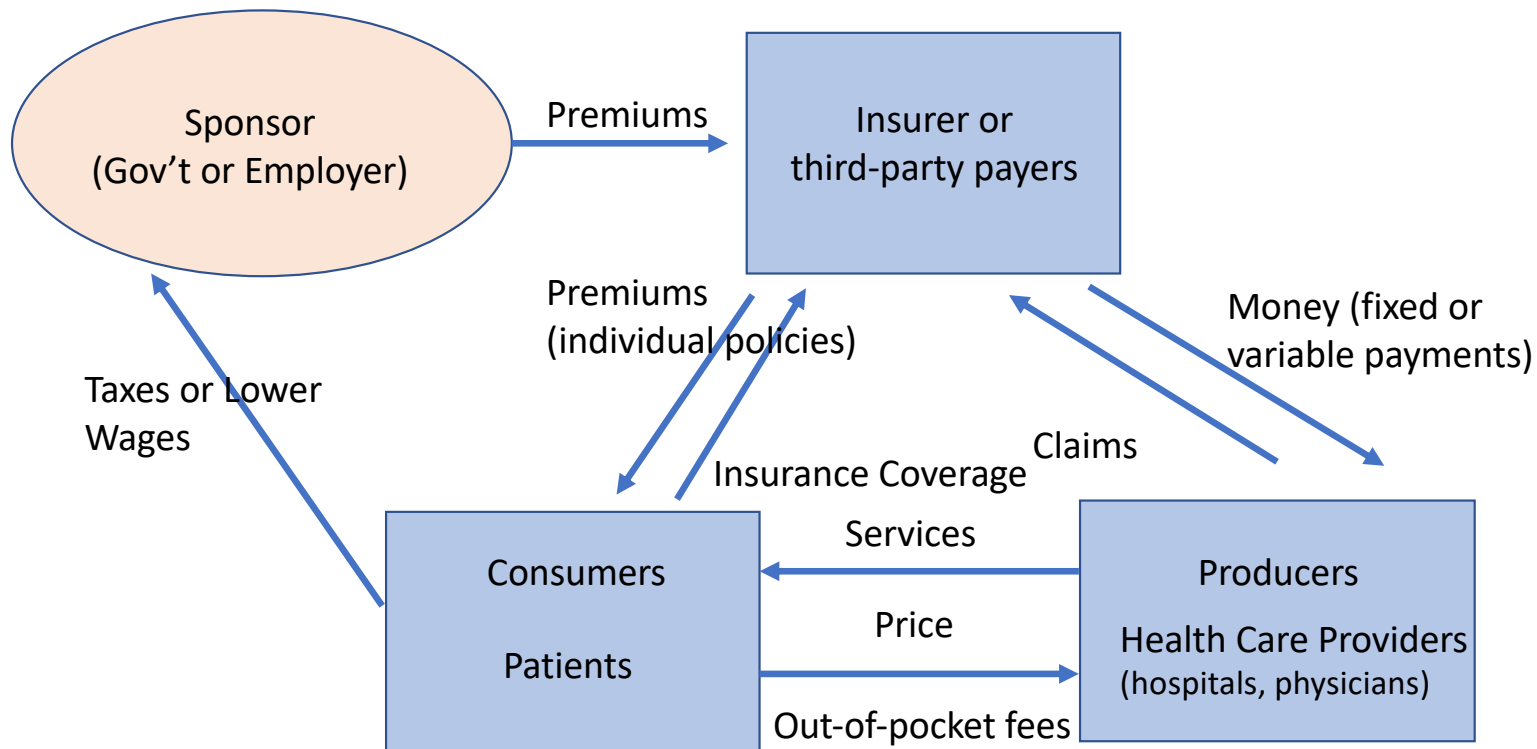


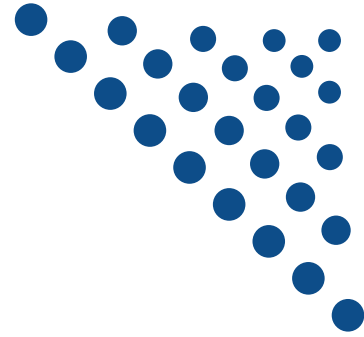


Markets Matter for Costs



Health Care Markets are Different

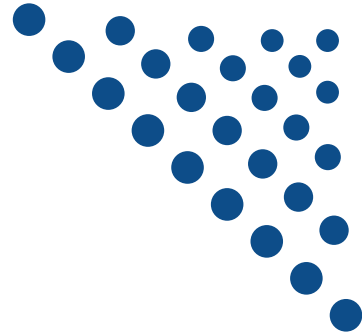




Policy Matters for Costs



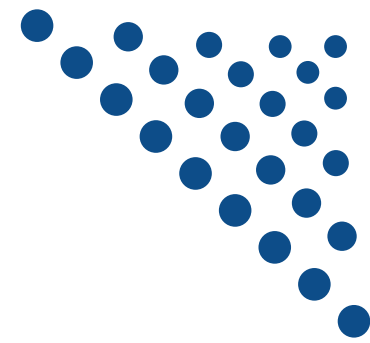
Hospital Monopolization



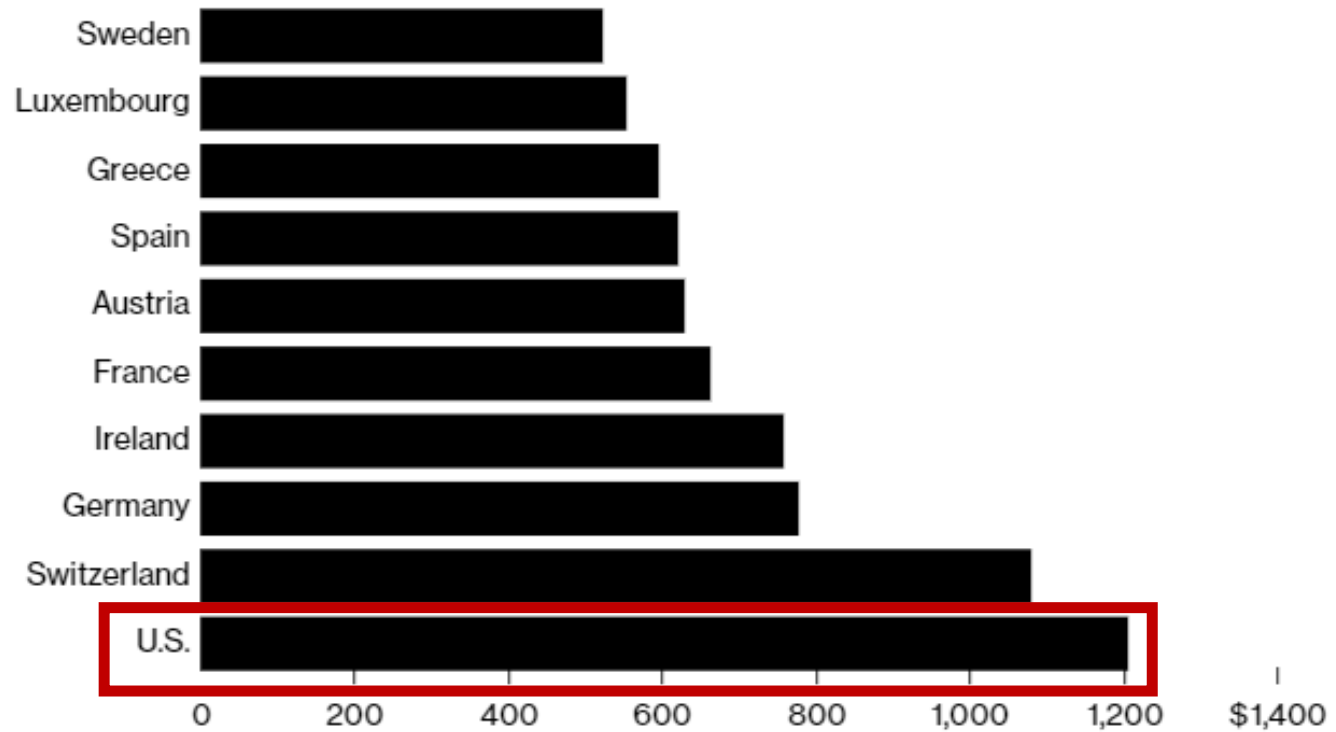
- Less competition in health systems, hospitals, medical groups, and health insurers has surged in recent years.
- Over an 18-month period between July 2016 and January 2018:
 - Hospitals acquired 8,000 more medical practices.
 - 14,000 more physicians left independent practice to become hospital employees.
- Between 1999 and 2018, hospital profit margins soared!
 - From 100% in 1999 to 317% in 2018.



Spending on Pharmaceuticals

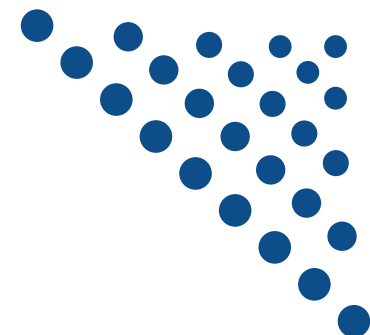


Top spenders per capita on drugs in 2016, in U.S. dollars

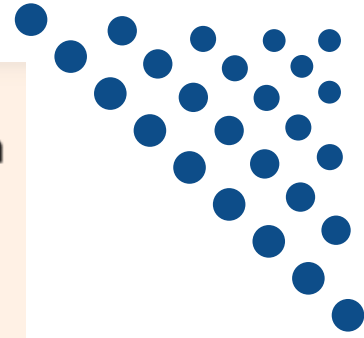


Source: Organisation for Economic Co-operation and Development

Medicare Modernization Act



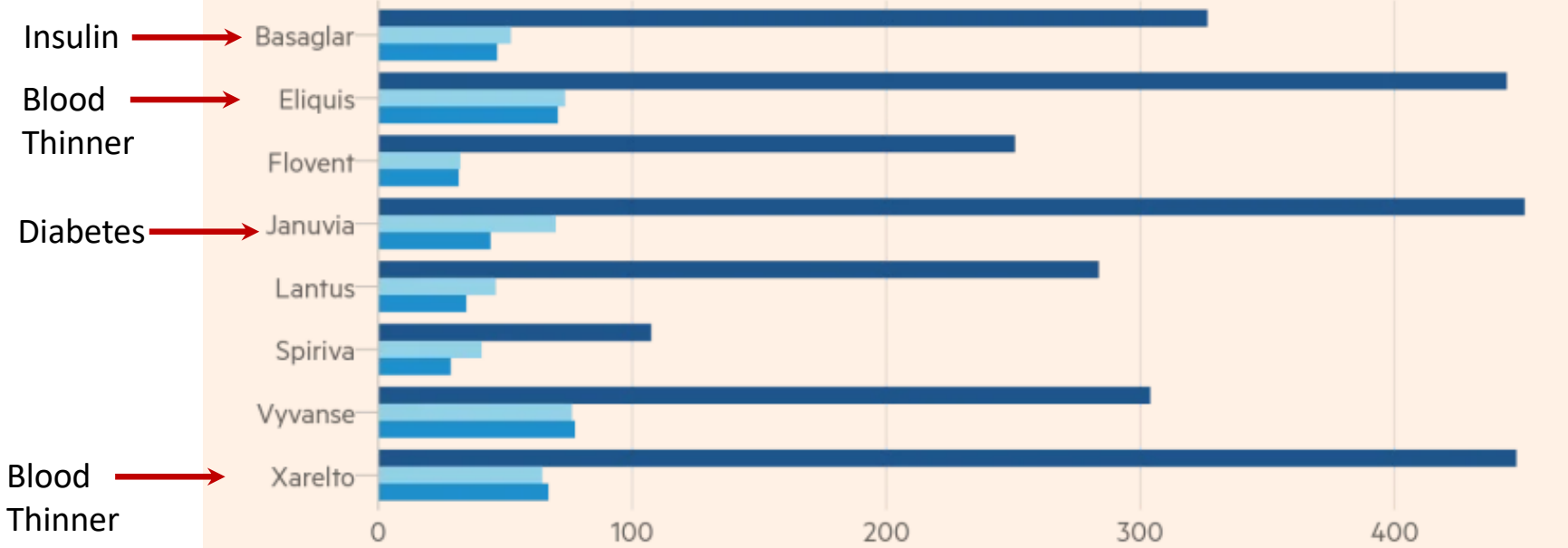
- Prescription Drug Component
- Medicare Part D, **by law**, cannot negotiate drug prices like other governments do.
- In 2017, Medicare spent nearly \$8 billion on insulin.
 - The researchers said that if Medicare were allowed to **negotiate** drug prices like the U.S. Department of Veterans Affairs (VA) can, Medicare could **save about \$4.4 billion just on insulin**.



Drugs in the US cost much more than their equivalent in the UK and Canada

Eight bestselling brand drugs for conditions ranging from diabetes to asthma and ADHD.
Drug price (\$)

United States Canada United Kingdom

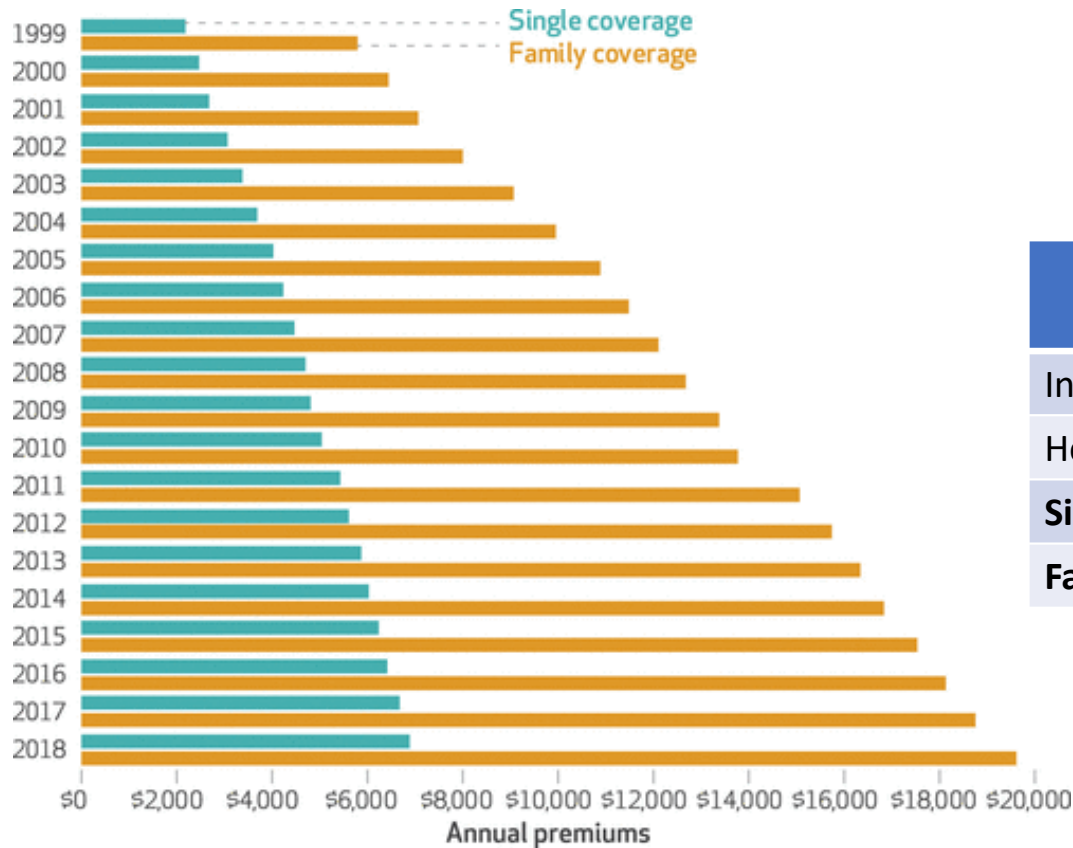


Note: Their equivalents may be generic versions. Prices have been converted to US dollars using exchange rates available on September 17th, 2019



Average Annual Insurance Premiums, 1999-2018

Employer provided, Not Adjusted for Inflation



Single: ~\$2,000 to ~\$7,000
 Family: ~\$5,900 to ~\$19,500

	Average Annual Rate of Change (%)
Inflation	2.19
Health Care CPI	3.68
Single coverage	6.51
Family coverage	6.52

Reason for Higher Health Insurance Rates



- Rising prices in the health sector
- Advances in medical technologies
- Increased demand for services
- Lack of competition in health insurance markets

Monopolization of Health Insurance Markets



- As of 2011, there were close to **100 insurers** in **Switzerland** competing for consumer health care dollars, **forcing firms to compete** by setting prices to just cover costs.
- In 2019, of the 50 states and the District of Columbia:
 - 21 had only 1 or 2 insurers
 - 14 had 3 or 4, and
 - 16 states had 5 or more. (CA had 11)



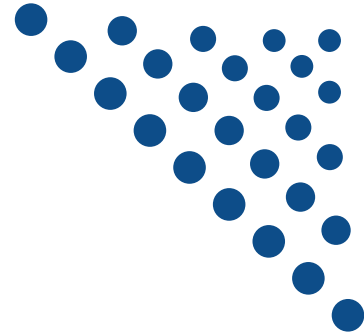


Summary

- US HealthCare system is not performing well.
 - Very expensive with low quality and access.
- One of the main reasons for very high costs is the monopolization of healthcare markets.
- Universal health insurance would increase access and perhaps also reduce costs.
- Changing the focus from maximizing profits to maximizing care would help.



A Few Simple Solutions Could Reduce Costs



- Pursue competition in healthcare markets.
 - Hospitals, pharmaceuticals, insurance.
- Introduction of a public option in the health insurance market.
- Allow the US government to negotiate drug prices
 - Like most every other nation.
 - Biden administration has started down this path.



Health System Classification



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



Thank you!

Any Questions?



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Jon D. Haveman, Ph.D.

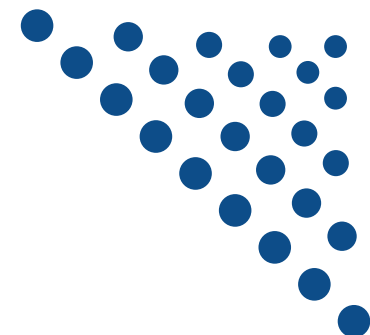
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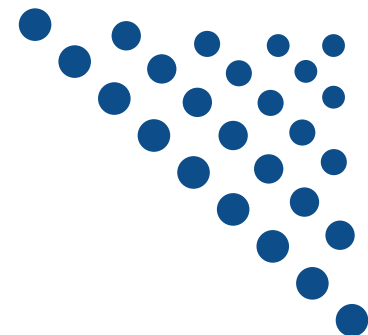




Health Care Systems and Institutions



Definition: Universal Coverage



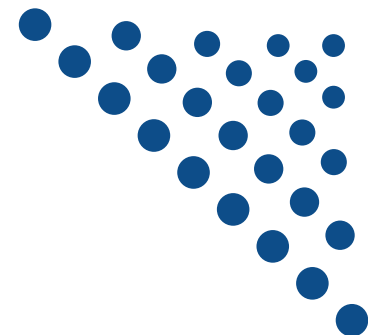
- **Universal coverage** – refers to health care systems in which *all* individuals have insurance coverage.
- Generally, this coverage includes:
 - Access to all needed services and benefits.
 - Protects individuals from excessive financial hardships.
 - Medical indebtedness is the #1 cause of bankruptcies in the United States.
- Canada has universal coverage, the United States does not.

Definition: Single-Payer



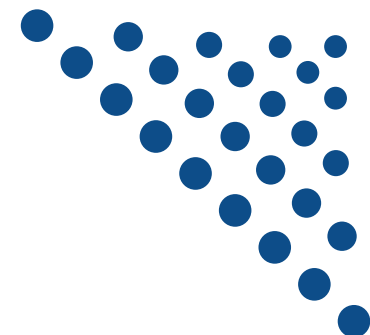
- **Single-payer** - refers to financing a health care system by making one entity solely and exclusively responsible for paying for medical goods and services.
 - Not necessarily the government.
- It is only the financing component that is socialized.
 - The money for the payment can be either collected by:
 - 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



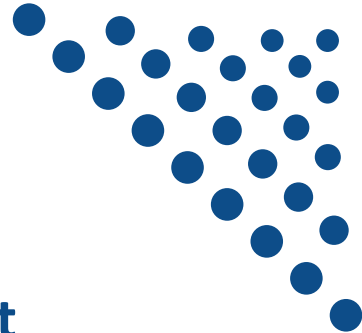
- **Socialized medicine** – this model takes the single-payer system one step further.
 - Government not only pays for health care but operates the hospitals and employs the medical staff.
- This has NEVER been a part of the debate in the United States.

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

Health System Classification



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Model 1: Beveridge



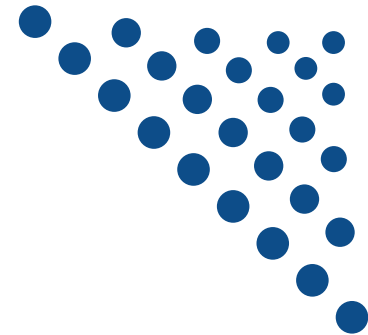
- **In this model, health insurance is paid for through TAXATION.**
 - Everybody has insurance, universal coverage. Everybody receives care at no cost.
 - All insurers are public.
 - Supplemental insurance is available in the private market.
 - Similar to public libraries and police forces.
- **Pros:**
 - Universal coverage.
 - Government controls quality of care, so cost of care may be low.
 - No medical bills or co-pays.
- **Cons:**
 - Taxes are high, regardless of use of healthcare.
 - Government controls quality of care, so service availability might be low.
 - Longer waiting times for non-emergency care.
 - Potential for excessive use of the system.

Model 2: Bismarck



- **In this model, health insurance is paid for through PREMIUMS.**
 - Everybody must have insurance, only poor don't have to pay premiums.
 - Premiums are paid into the “gov't sickness fund” or directly to private insurers.
 - All insurers are private, but can't make money off the sickness fund.
- **Pros:**
 - Everybody is covered and can avoid expensive healthcare bills.
 - Administrative costs are much lower than in the U.S.
 - Little waiting time to receive basic services.
- **Cons:**
 - Focus on low costs can mean fewer services are available in rural areas.
 - Mandatory premiums are high.
 - Longer waiting times for elective services.

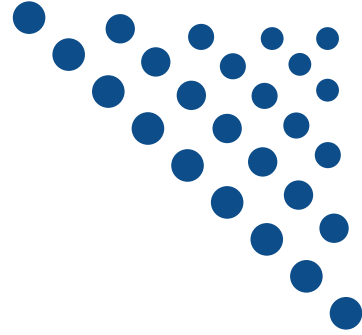
Model 3: National Health Insurance



- **This model has elements of both Beveridge and Bismarck.**
 - Like Beveridge: government is the single payer and paid for through taxes.
 - Like Bismarck: All health-care providers are in the private sector.
- **Pros:**
 - Lowers the cost of healthcare for the economy – bargaining power.
 - Low administrative costs for care.
 - No incentive to deny claims.
 - Healthier workforce.
- **Cons:**
 - Everybody pays regardless of health care received.
 - May stop people from being careful about their health.
 - Limits payouts to doctors.
 - May affect technology adoption.



US Health Care 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

