



# The Price of Healthcare: Exploring the Economics of Healthcare

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*NEED, Marin Academy*



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## Questions

- How many of you have received healthcare?
- How many of you have gone to the hospital?
- How many of you have needed prescription drugs?
- How many of you have gone to a doctor for a physical?
- How many of you have gotten a flu shot?
- Is healthcare SUPER important to you?



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## Health Economics is Big Business

- The United States spends A LOT on healthcare:
  - In 2019, U.S. national health expenditures were **17.5% of GDP**, which is equivalent to around **\$3.8 trillion**.
  - U.S. Healthcare is the 5<sup>th</sup> largest economy in the world.
- For comparison, GDP in each country in 2019:
  - Germany: \$3,845 trillion (4<sup>th</sup> largest economy)
  - **US Healthcare \$3.8 trillion**
  - UK: \$2,827 trillion (6<sup>th</sup> largest economy)
  - France : \$2,715 trillion (7<sup>th</sup> largest economy)



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## Markets Studied in Health Economics

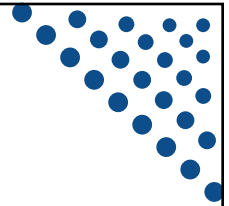
- **Markets for:**
  - Physicians
  - Nurses
  - Hospital facilities
  - Nursing homes
  - Pharmaceuticals
  - Medical supplies
    - such as diagnostic and therapeutic equipment
  - **Health Insurance**



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# The Three Legs of the Healthcare Stool



ACCESS

QUALITY

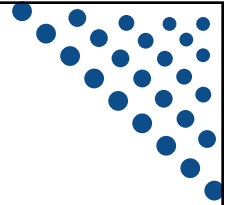
COSTS



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# Access



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# Health Insurance Coverage, 2022 – 92.1%



## • Countries with Less Than Universal Coverage

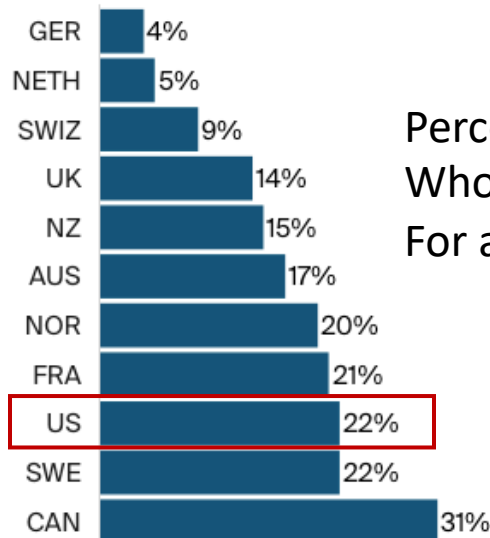
Country	% of Persons
Slovakia	94.5
Chile	94.3
<b>UNITED STATES</b>	<b>92.1</b>
Poland	91.5
Mexico	90.2
Algeria	90.9
Jordan	55.0

## • Countries with Universal Coverage

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

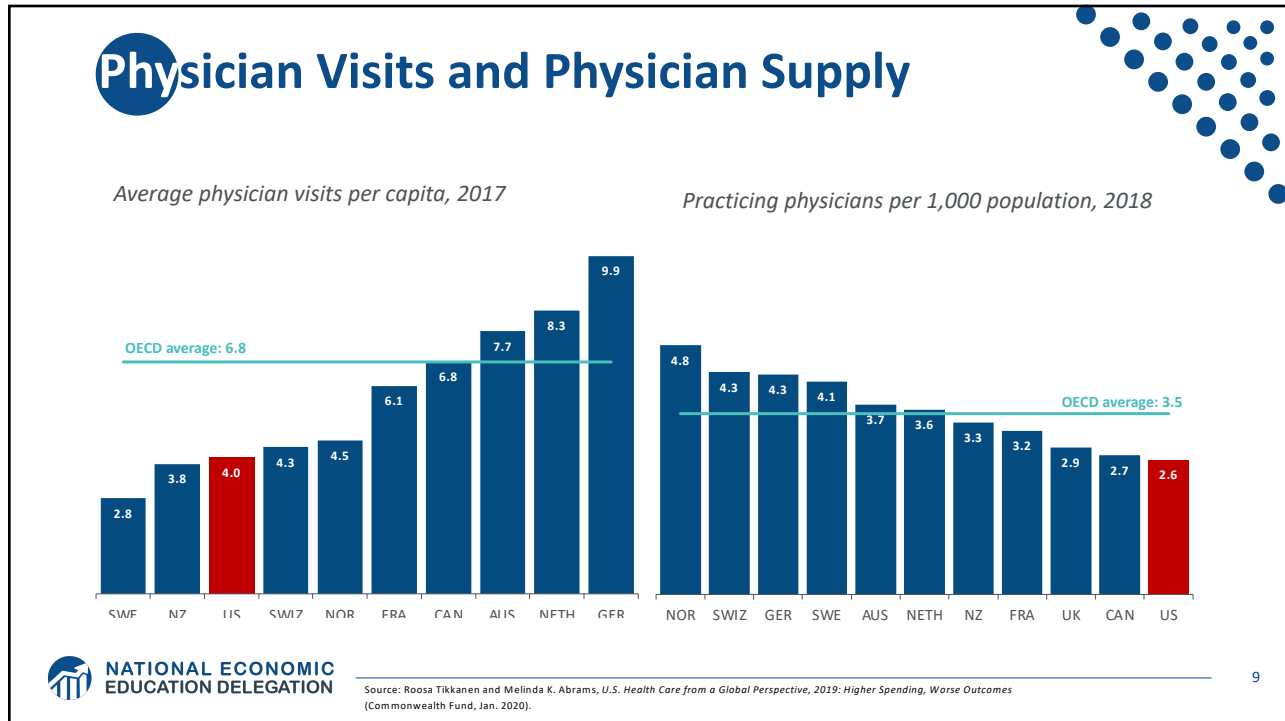
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# But What About Wait Times?

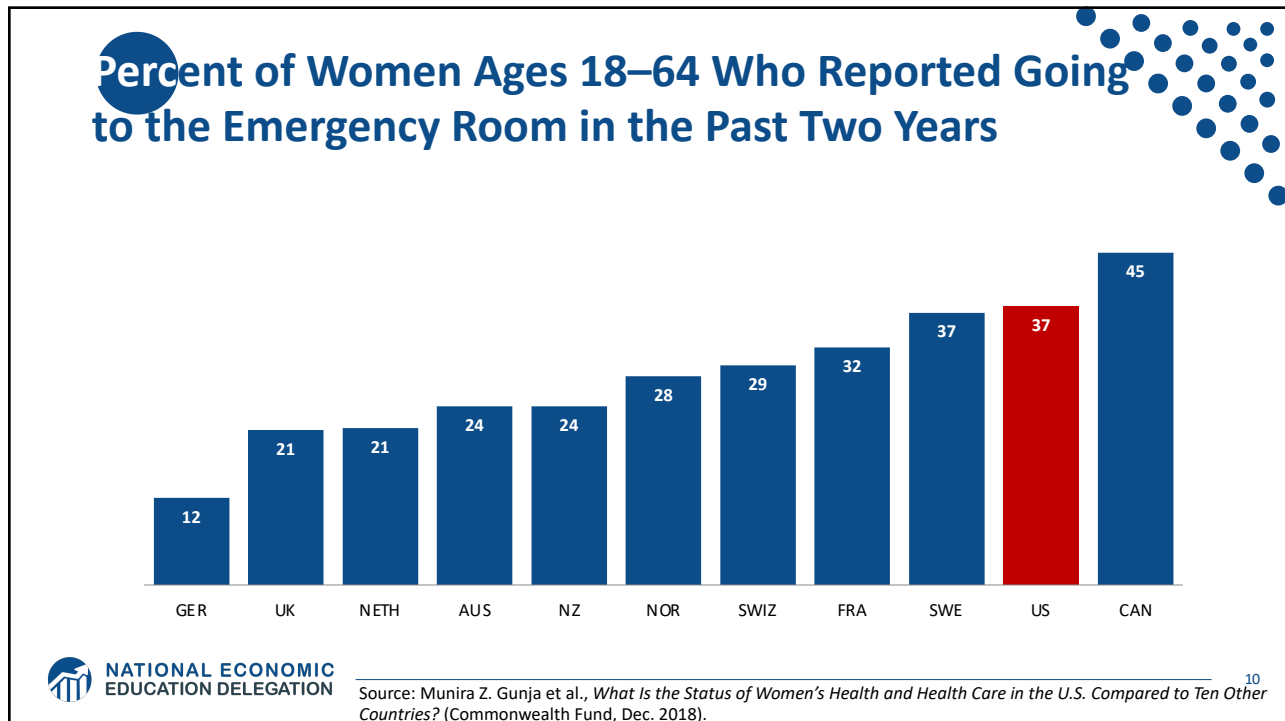


Percentage of adults aged 65+ Who waited more than 6 days For an appointment when sick.

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## 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.**

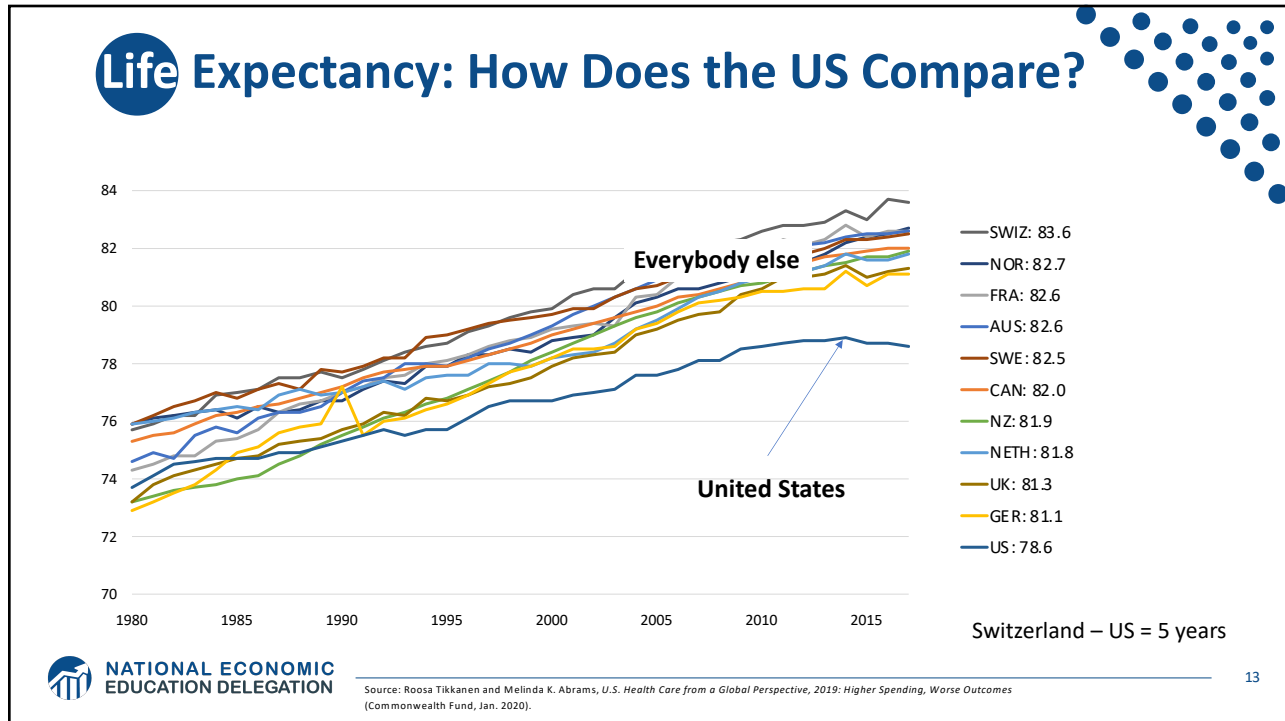


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## Quality



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## Life Expectancy at Birth by Race/Ethnicity, 2019

Race/Ethnicity	Life Expectancy (Years)
All Races	78.8
White	78.8
Black	74.8
Hispanic	81.9
Asian	85.6

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Source: KFF, Key Data on Health and Health Care by Race and Ethnicity

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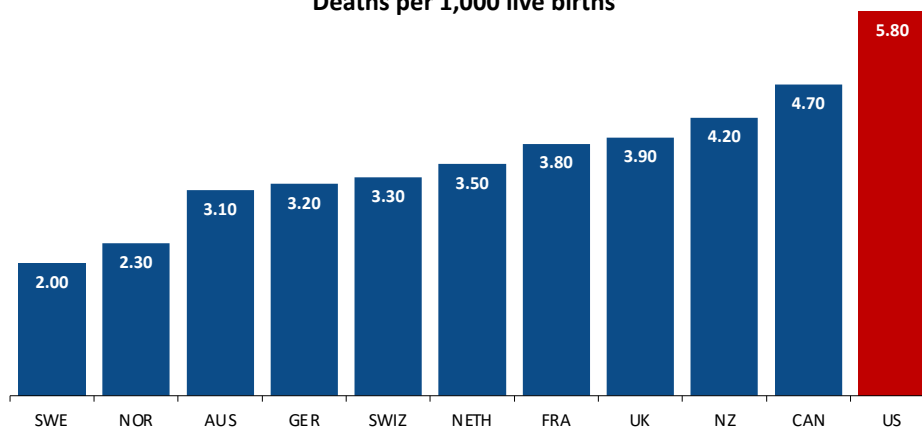
## Income Also Matters – Reflecting Access?

Sex	Income Category	Life Expectancy (Years)	Difference High vs Low
Women	Highest Incomes (top 1%)	88.9	10.1 years
	Lowest Incomes (bottom 1%)	78.8	
Men	Highest Incomes (top 1%)	87.3	14.6 years
	Lowest Incomes (bottom 1%)	72.7	

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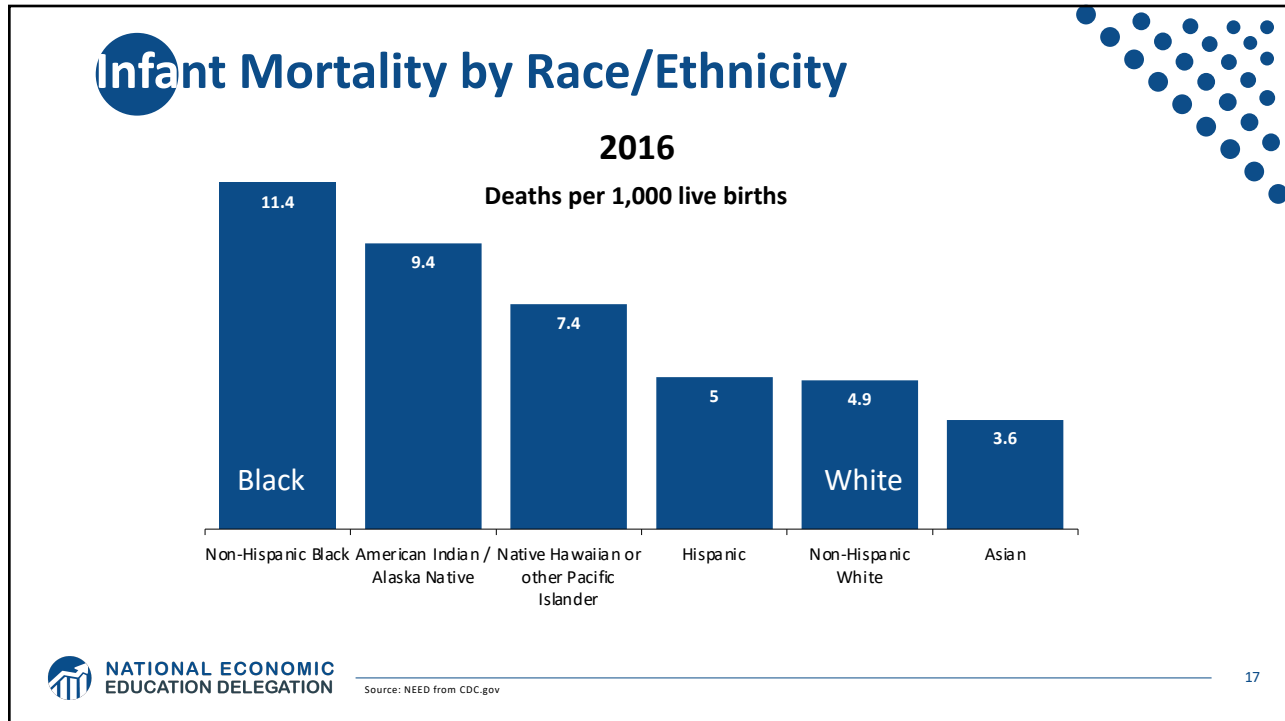
## Infant Mortality International Comparison

Deaths per 1,000 live births

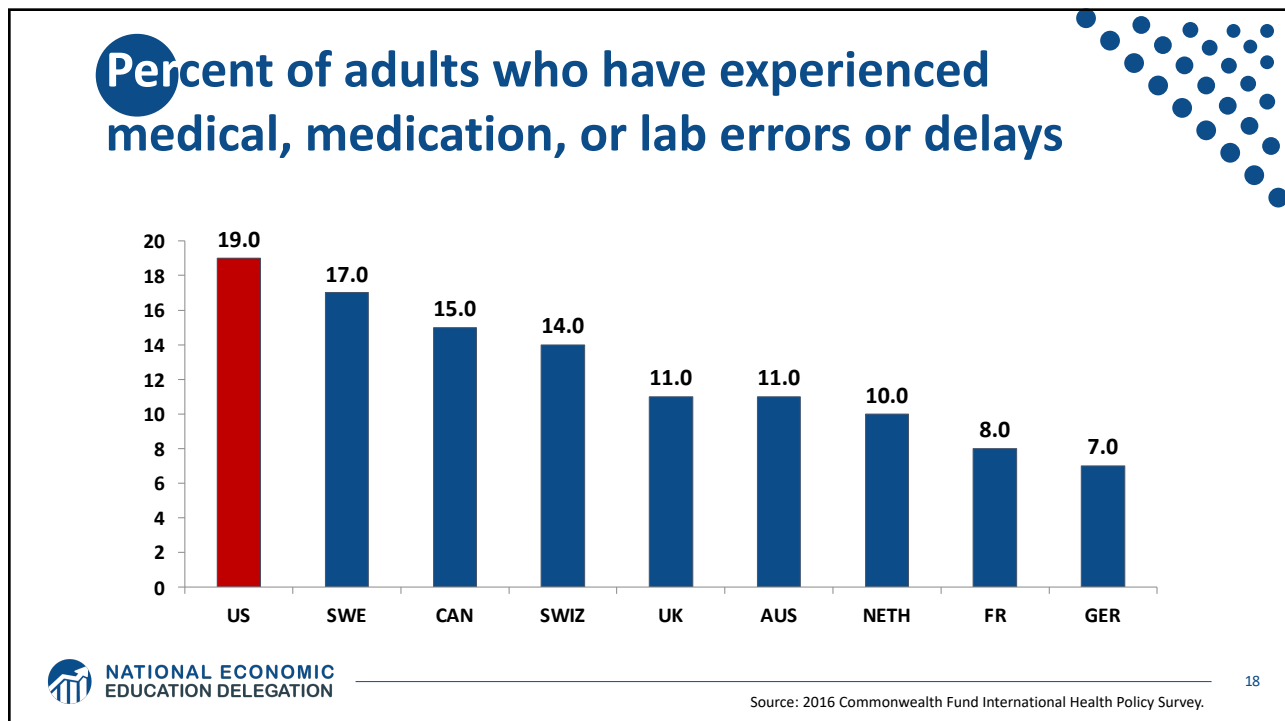


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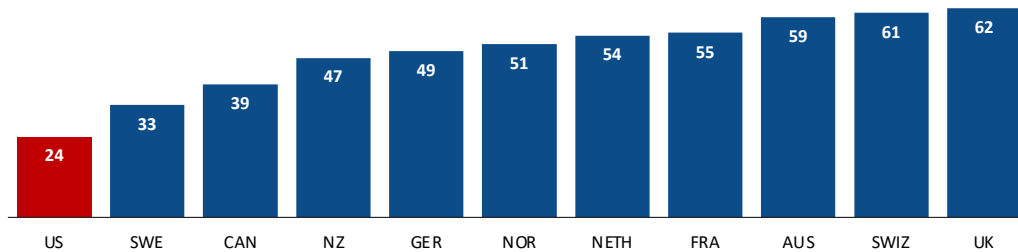
## Prevention and Screening

- 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**.*



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).

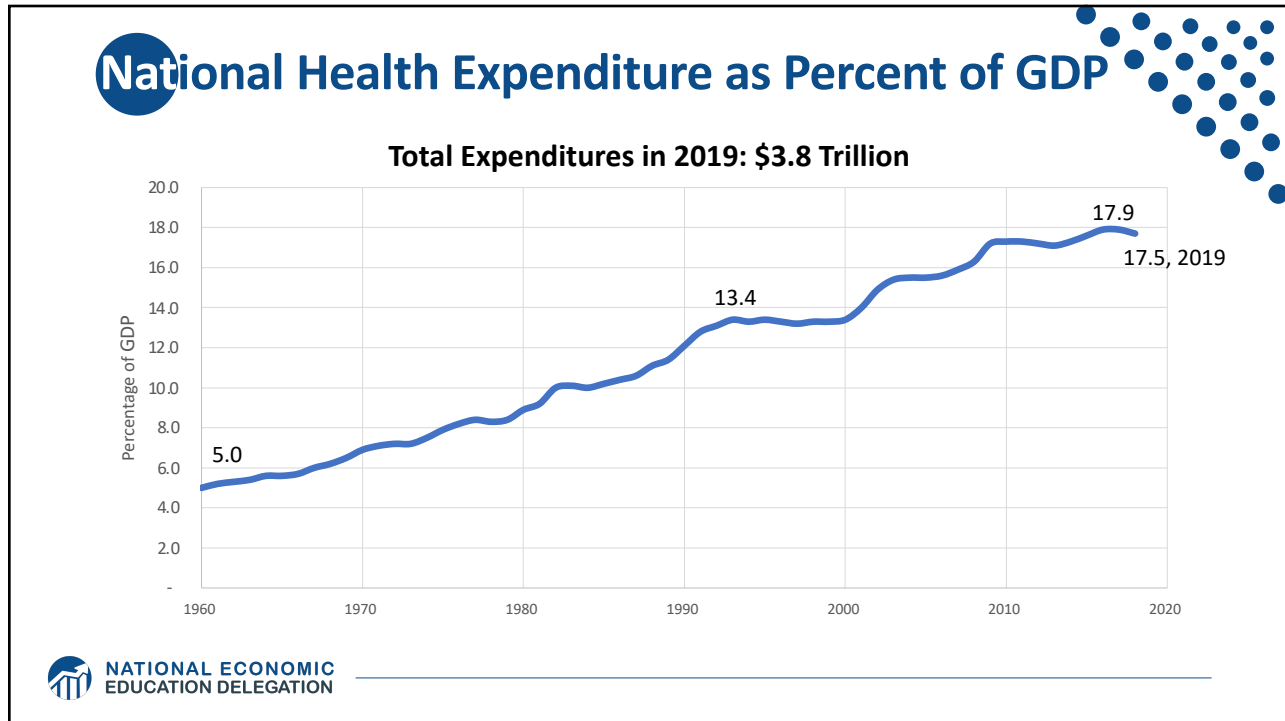
# Quality of Care Notes

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

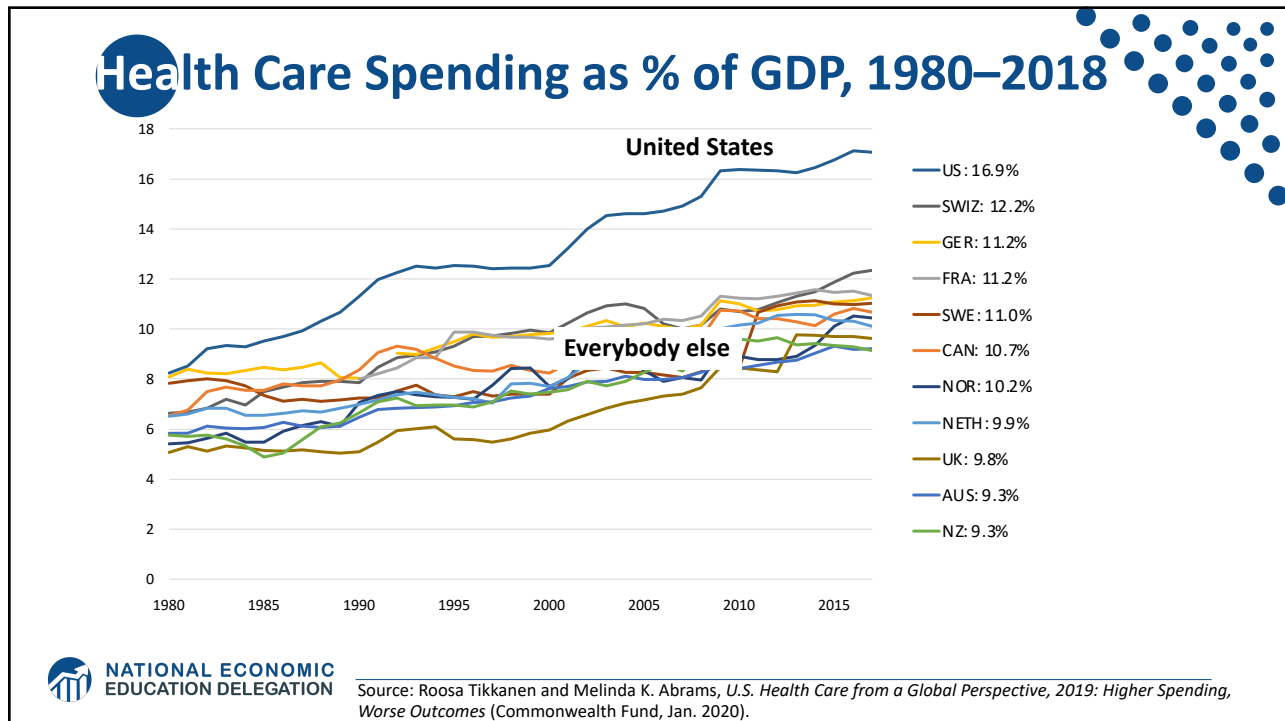
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# Costs

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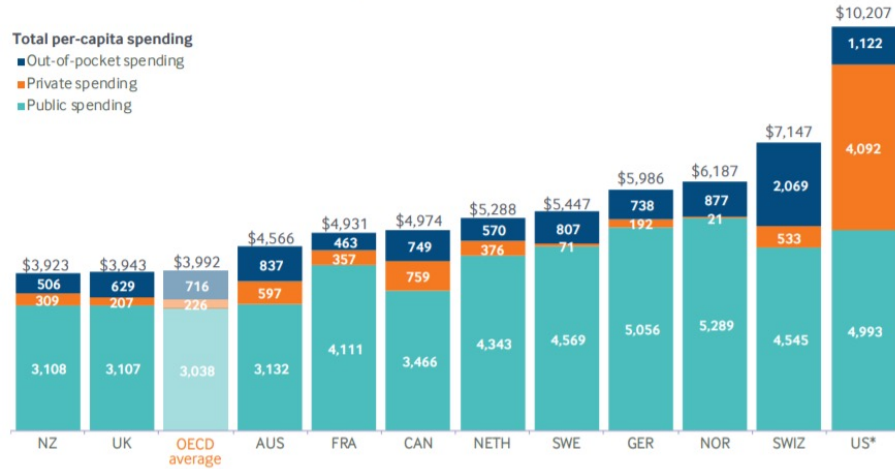


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# International Per Capita Healthcare Spending

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

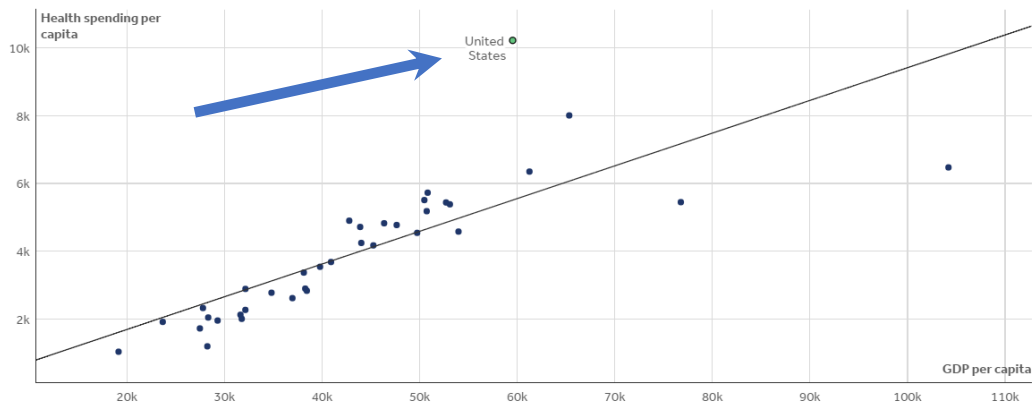
**Total per-capita spending**  
 ■ Out-of-pocket spending  
 ■ Private spending  
 ■ Public spending



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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).

# GDP per Capita and Health Spending per Capita, 2017



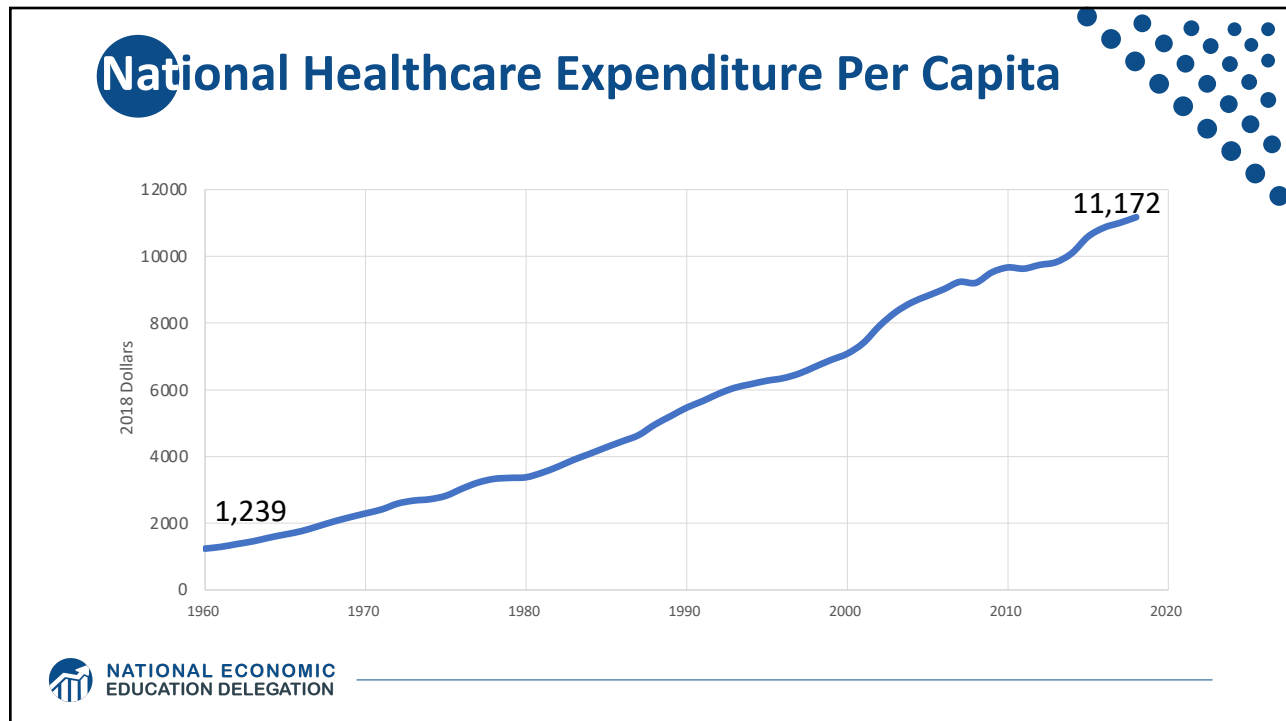
Notes: U.S. value obtained from National Health Expenditure data. Health consumption does not include investments in structures, equipment, or research.

Source: KFF analysis of OECD and National Health Expenditure (NHE) data • Get the data • PNG

Peterson-KFF  
**Health System Tracker**



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## 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?

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# Why Are Costs so High in the US?

**One Reason:**

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



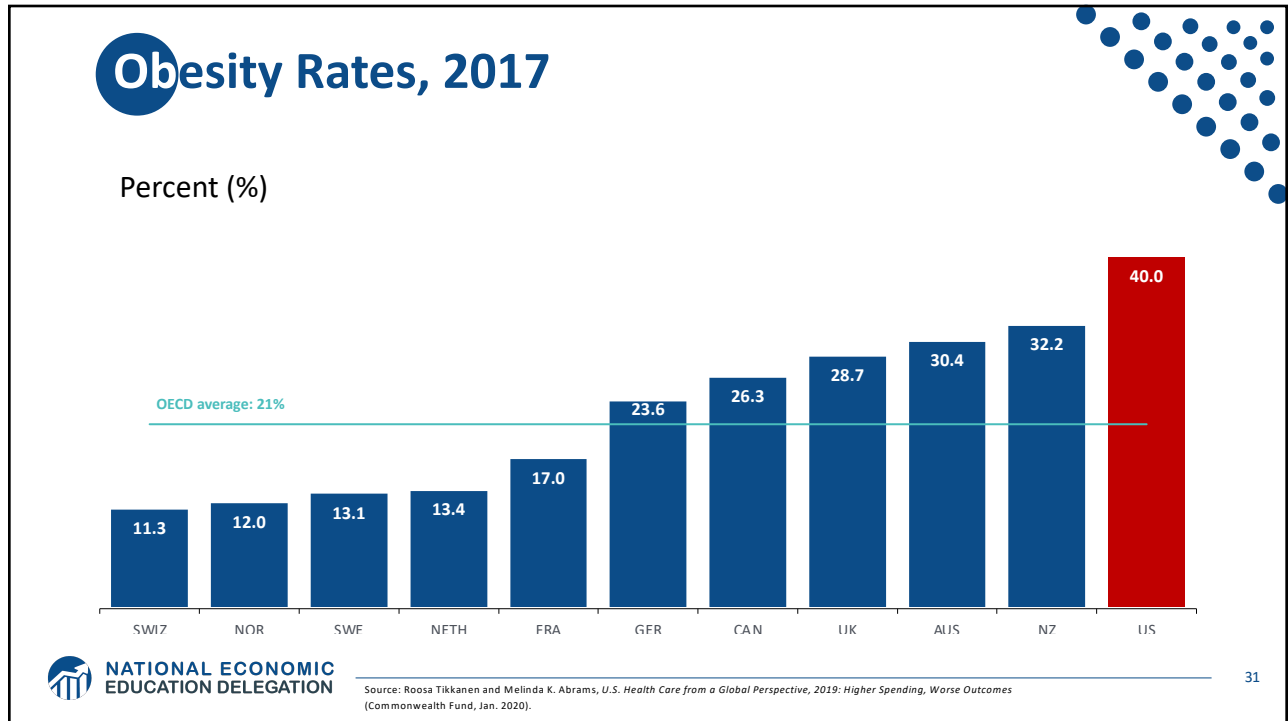
# Why Are Costs so High in the US?

**Another Reason:**

**Our public health system isn't very good.**

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





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# Markets Matter for Costs

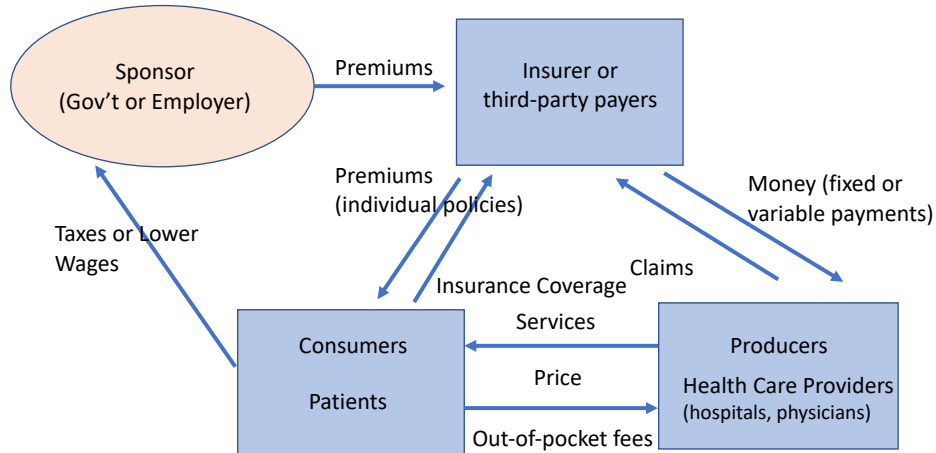
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## Health Care Markets are Different



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## How Much Did Your Flu Shot Cost?

- **Who knows? It's generally offered for free.**

- **Providers of the shot do pay for it.**

- Some reported prices:

- Sacramento, CA \$85
- Long Beach, CA \$42
- Washington, DC \$15

Prices are negotiated with the  
Vaccine producer.

Differences are a reflection of  
More or less bargaining power.

- **Who really pays for the flu shot?**

- YOU DO! Higher premiums.



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Source: <https://kffhealthnews.org/news/the-startlingly-high-cost-of-the-free-flu-shot/>

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# Policy Matters for Costs



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## 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.



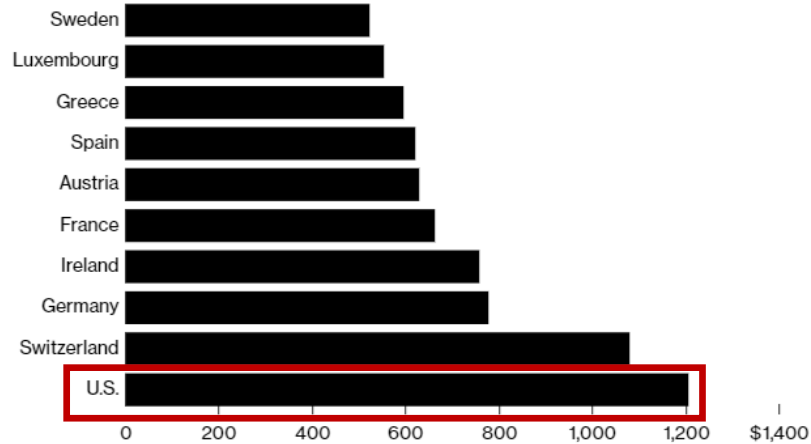
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## Spending on Pharmaceuticals

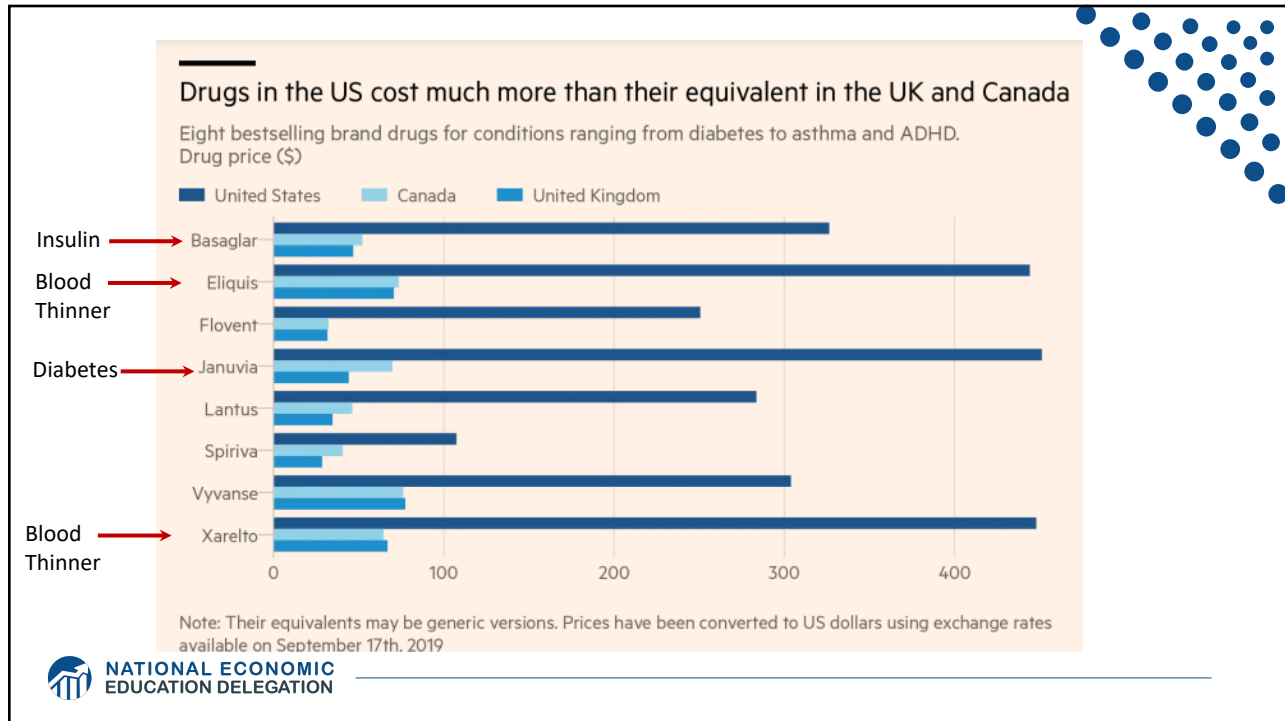
Top spenders per capita on drugs in 2016, in U.S. dollars



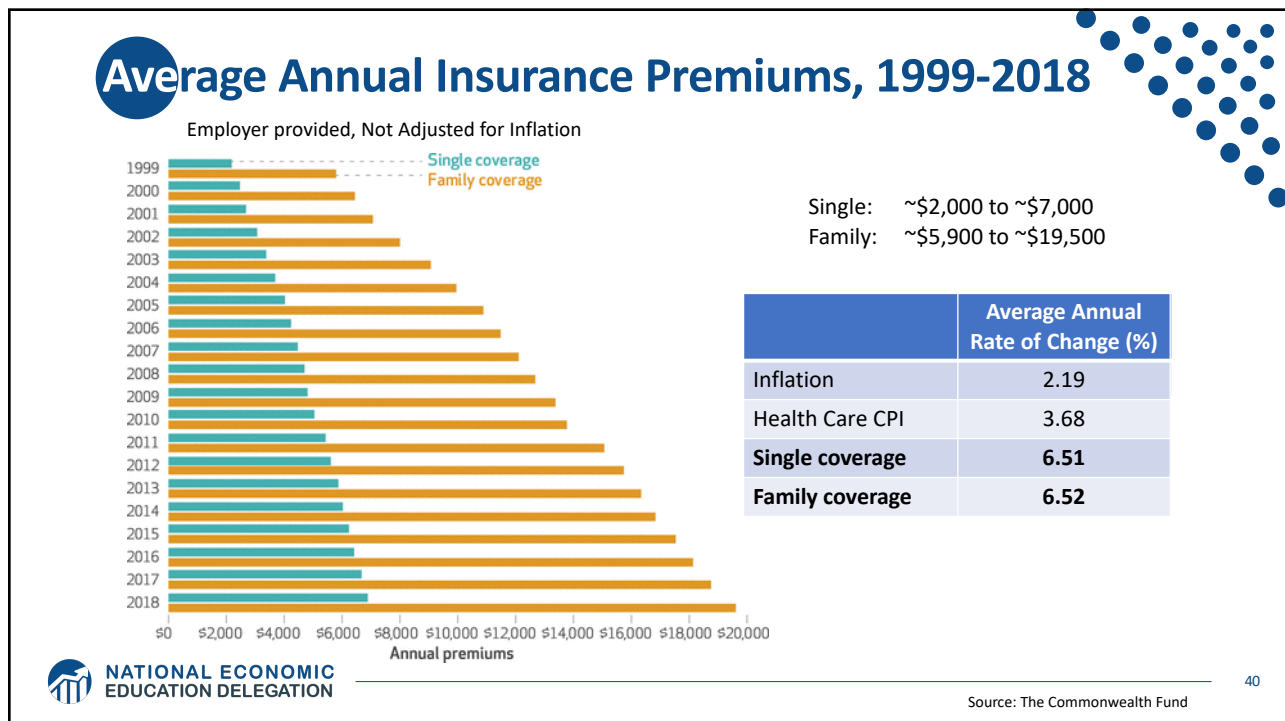
Source: Organisation for Economic Co-operation and Development

## 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.**



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## 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



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## 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)



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Source: KRR, Number of Issuers Participating in the Individual Health Insurance Marketplaces

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## 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.



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## A Few Simple Solutions Could Reduce Costs

- **Encourage competition in healthcare markets.**
- **Introduction of a public option in the health insurance market.**
- **Allow the US government to negotiate drug prices**
  - like most every other nation.

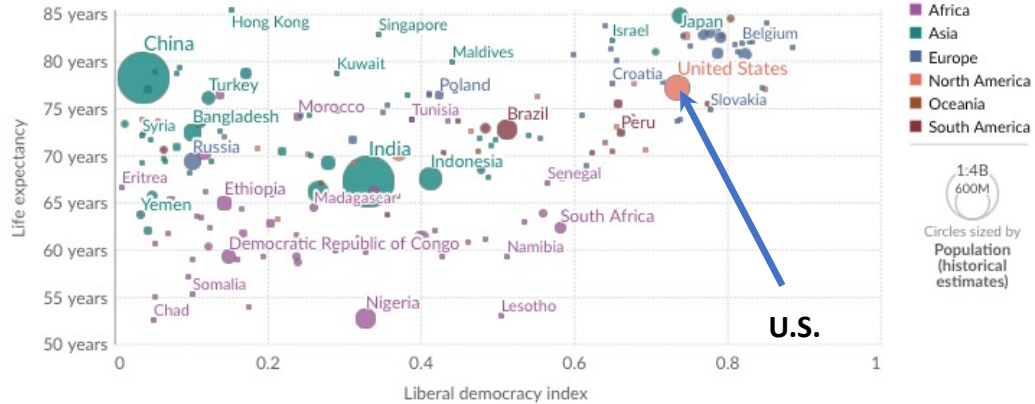


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# What Does Democracy Have to do With it?

## Life expectancy vs. liberal democracy index, 2021

Liberal democracy based on the expert assessments and index by V-Dem, ranging from 0 to 1 (most democratic).



# Democracy Measures Tell A Tale

Type of Index	U.S. Rank
<b>The Electoral Democracy Index</b> The principle of electoral or representative democracy, including whether elections were free and fair, and a free and independent media.	20
<b>Liberal Democracy Index</b> Rule of law, checks and balances, and civil liberties.	20
<b>Participatory Democracy Index</b> Do citizens participate in their own government through local democratic institutions, civil society organizations, direct democracy.	19
<b>Deliberative Democracy Index</b> Are decisions made in the best interest of the people as opposed to due to coercion or narrow interest groups.	39
<b>Egalitarian Democracy Index</b> Measures equality of access to resources, power, and freedoms.	78

**Thank you!**

## Any Questions?

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