

The Economics of Healthcare

Marin Academy
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NEED & Marin Academy



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Healthcare is Big Business

- Healthcare is the biggest industry and the largest employer in the U.S.
- We spend **A LOT** on healthcare:
  - In 2024, U.S. national health expenditures were about **$5.3 trillion** -- approximately **18.0% of GDP** ($15,000 per person)
  - Expenditures grew 7.2% from 2023 to 2024

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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
UNITED STATES	92.1
Poland	91.5
Mexico	90.2
Algeria	90.9
Jordan	55.0

- **Countries with Universal Coverage**

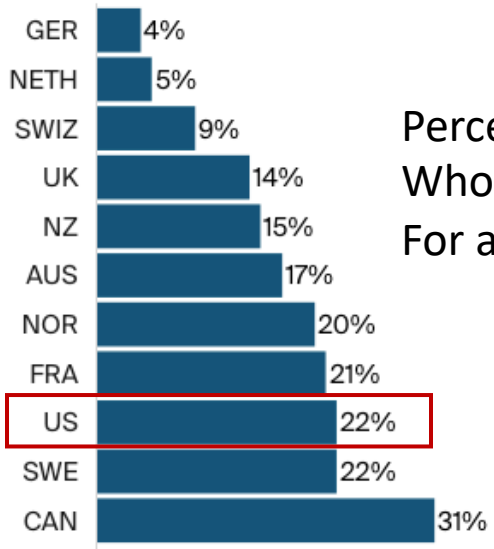
Countries	% of Persons
Australia	100
Canada	100
Czech Republic	100
Slovenia	100
United Kingdom	100
Greece	100
Hungary	100
And 21 more	**99+**

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Source: Organization for Economic Cooperation and Development

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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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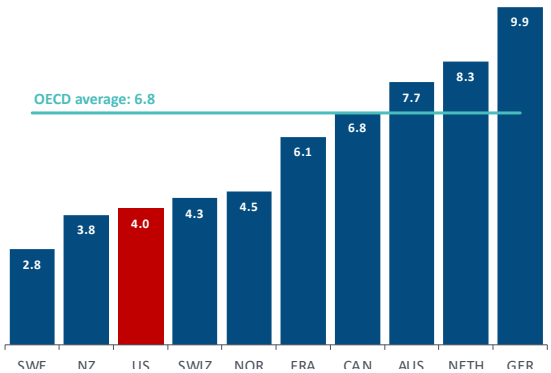
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Source: Commonwealth Fund, Comparing Nations on Timeliness and Coordination of Health Care, 2021

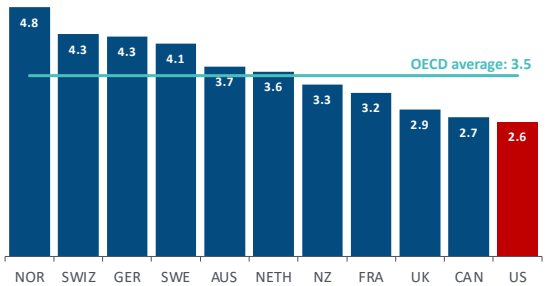
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Physician Visits and Physician Supply

Average physician visits per capita, 2017



Practicing physicians per 1,000 population, 2018



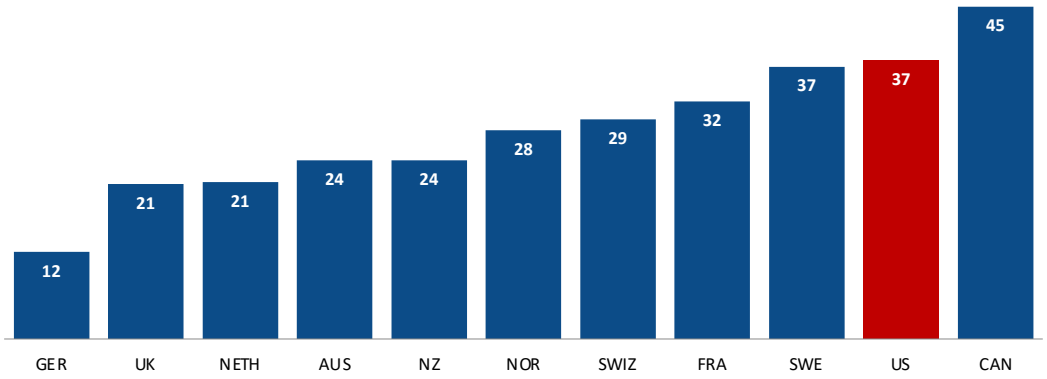
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Source: Roosa Tikkanen and Melinda K. Abrams, *U.S. Health Care from a Global Perspective, 2019: Higher Spending, Worse Outcomes* (Commonwealth Fund, Jan. 2020).

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



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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).

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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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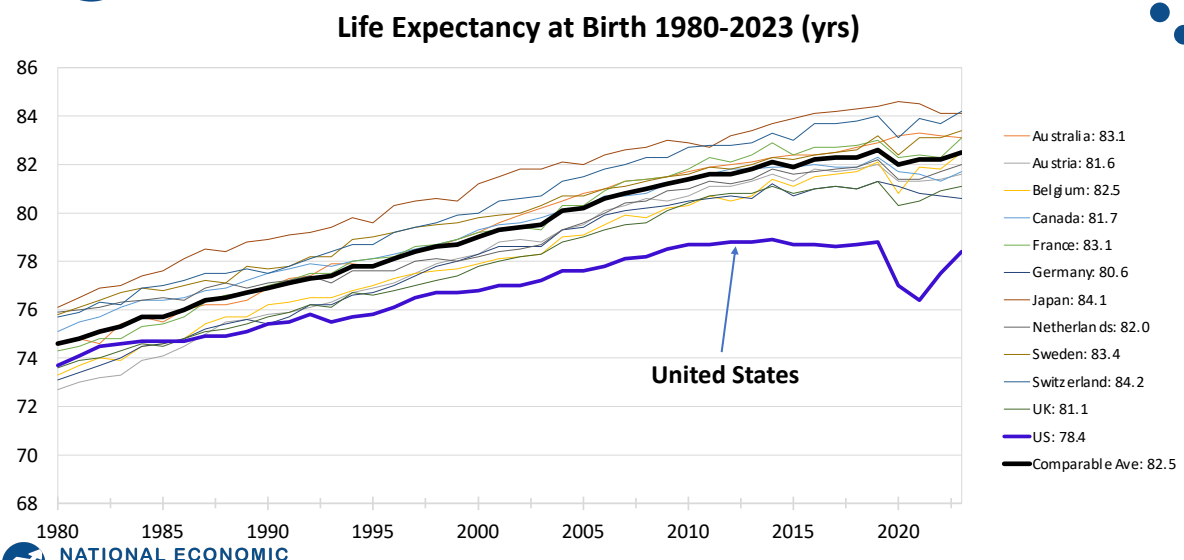
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Quality

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Life Expectancy: How Does the US Compare?

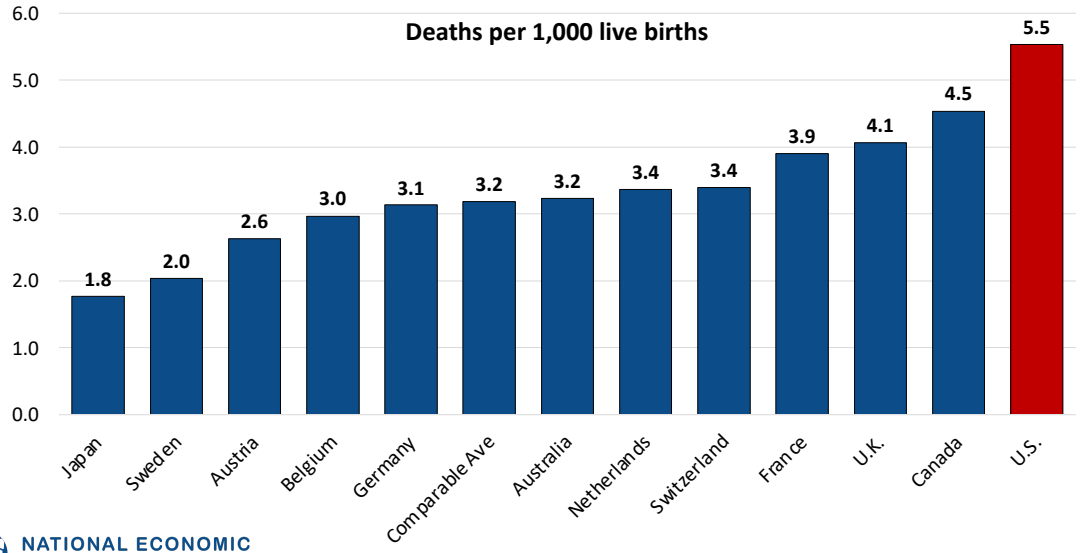


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Source: KFF data collection. https://www.healthsystemtracker.org/chart-collection/quality-u-s-healthcare-system-compare-countries/

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Infant Mortality Comparison (2023)



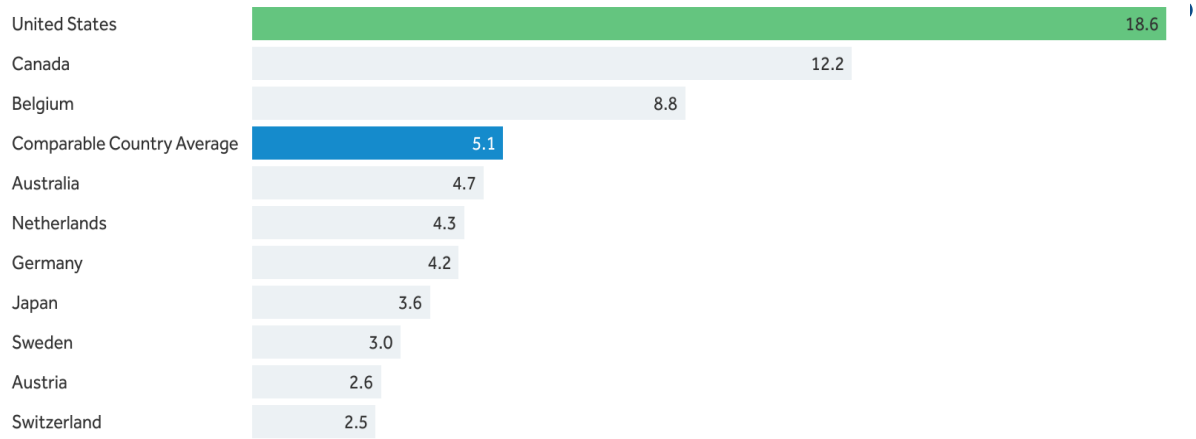
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Source: *Health at a Glance, 2025* OECD; graph by NEED

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Maternal Mortality Rates per 100,000 live births (2023)



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Source: KFF analysis of OECD data

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Prevention and Screening

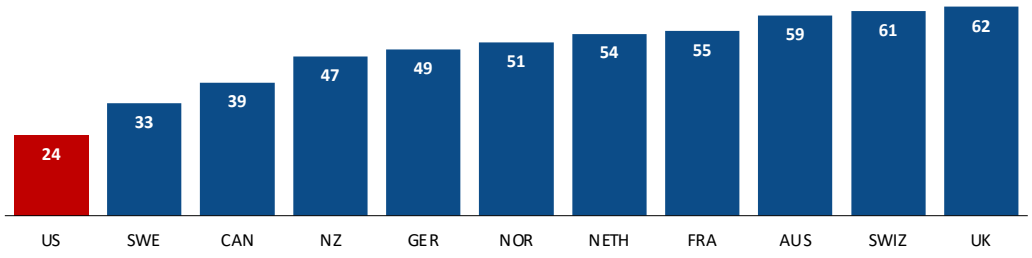
- The U.S. excels in **some** prevention measures (high ranking):
  - including **flu vaccinations** and **breast cancer screenings**.
- The U.S. has:
  - The highest average five-year survival rate for breast cancer.
  - But the Lowest for cervical cancer.

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Perception of Quality of Medical Care

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



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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).

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Quality of Care Notes

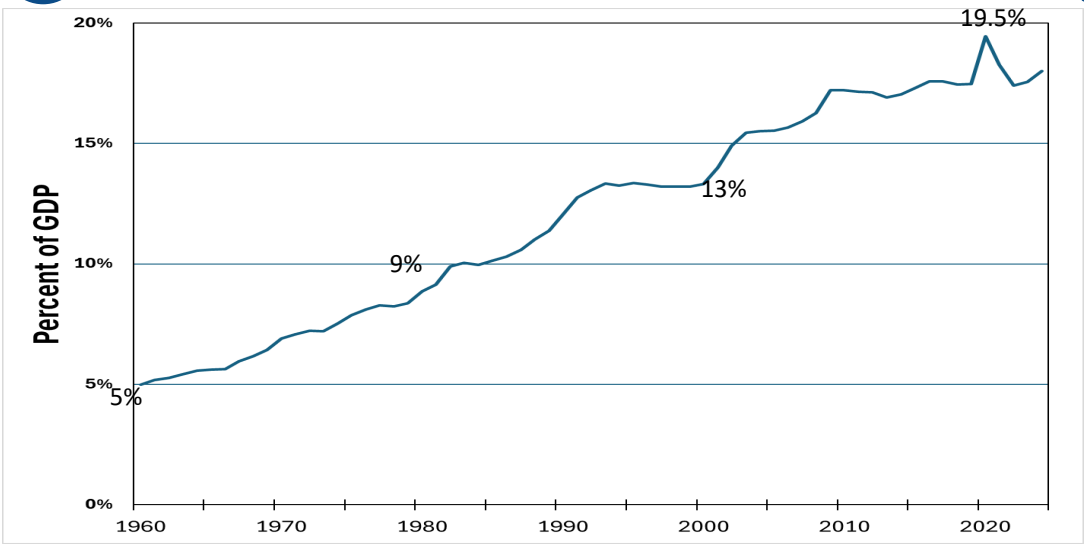
- Metrics of quality in the U.S. are not very good.
- The system has bright spots!
- Quality of care is not considered very good in the U.S.

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Costs

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National Health Expenditure as Percent of GDP

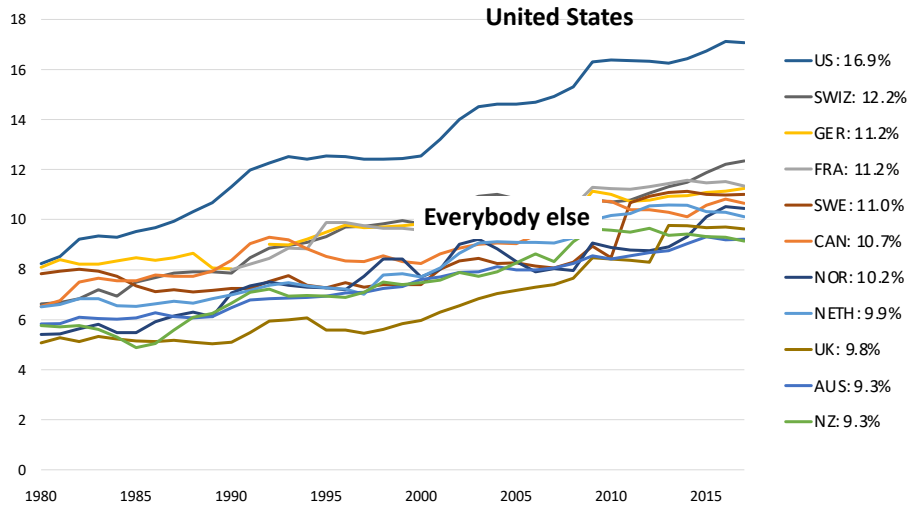


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Source: Centers for Medicare and Medicaid Services (graph by NEED)

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Health Care Spending as % of GDP, 1980–2018

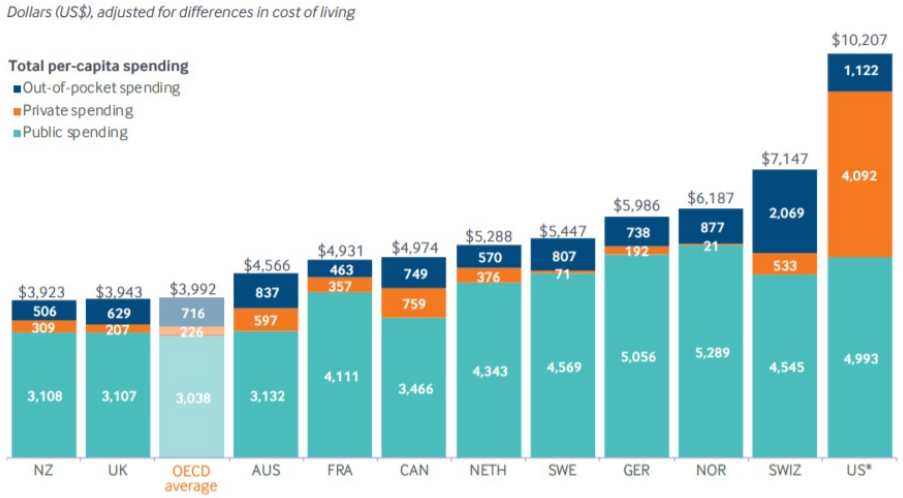


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Source: Roosa Tikkanen and Melinda K. Abrams, *U.S. Health Care from a Global Perspective, 2019: Higher Spending, Worse Outcomes* (Commonwealth Fund, Jan. 2020).

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International Per Capita Healthcare 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).

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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.
  - 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.

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Why Are Costs so High in the US?

Another Reason:

Our public health system isn't very good.

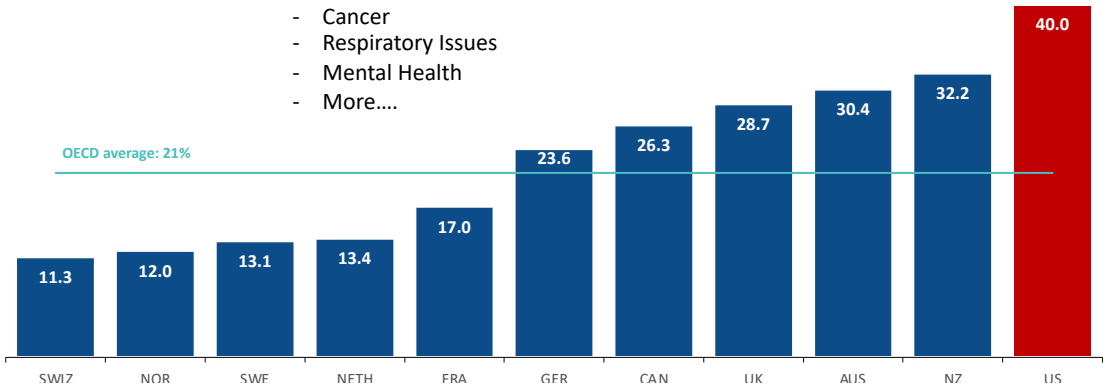
(We have a health RESTORATION system, NOT a health CARE system.)

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Obesity Rates, 2017

Percent (%)

Obese individuals are more likely to have multiple morbidities:
- Cardiovascular Diseases
- Liver & Digestive Diseases
- Kidney Conditions
- Cancer
- Respiratory Issues
- Mental Health
- More….



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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).

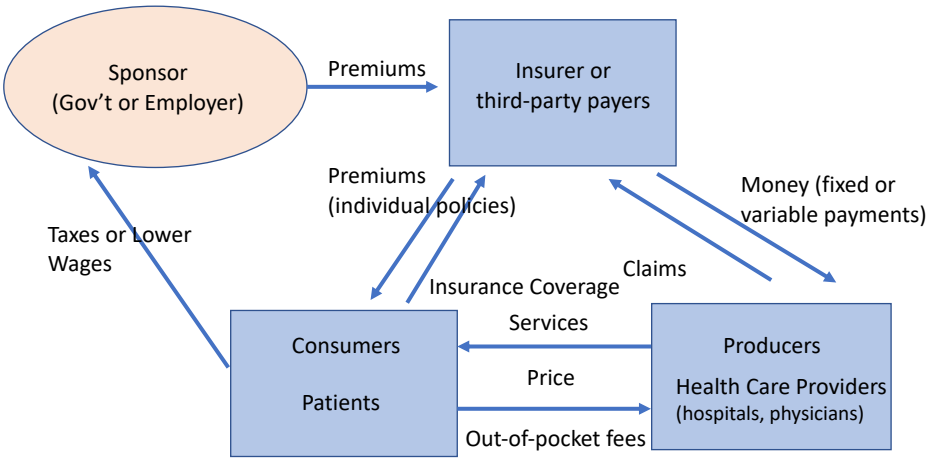
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Markets Matter for Costs

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Health Care Markets are Different



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Policy Matters for Costs

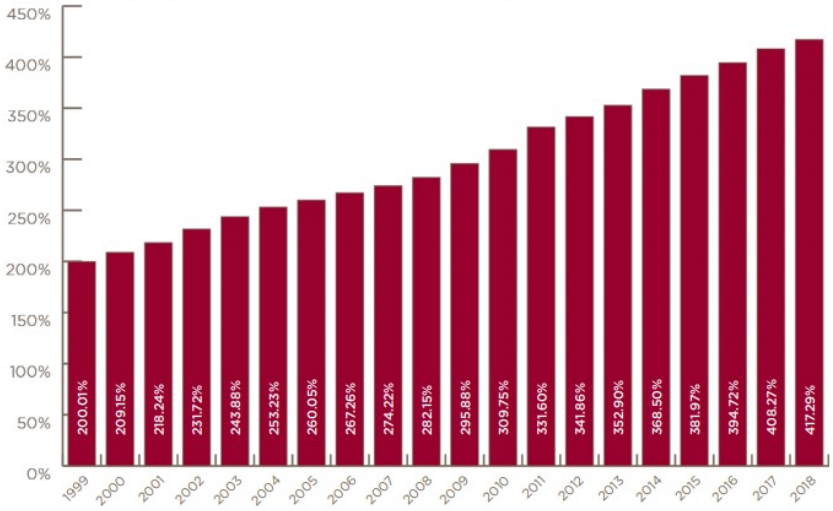
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Hospital Monopolization

- 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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Figure 10. **U.S. Hospitals' Average Charge-to-Cost Ratio, 1999 – 2018**



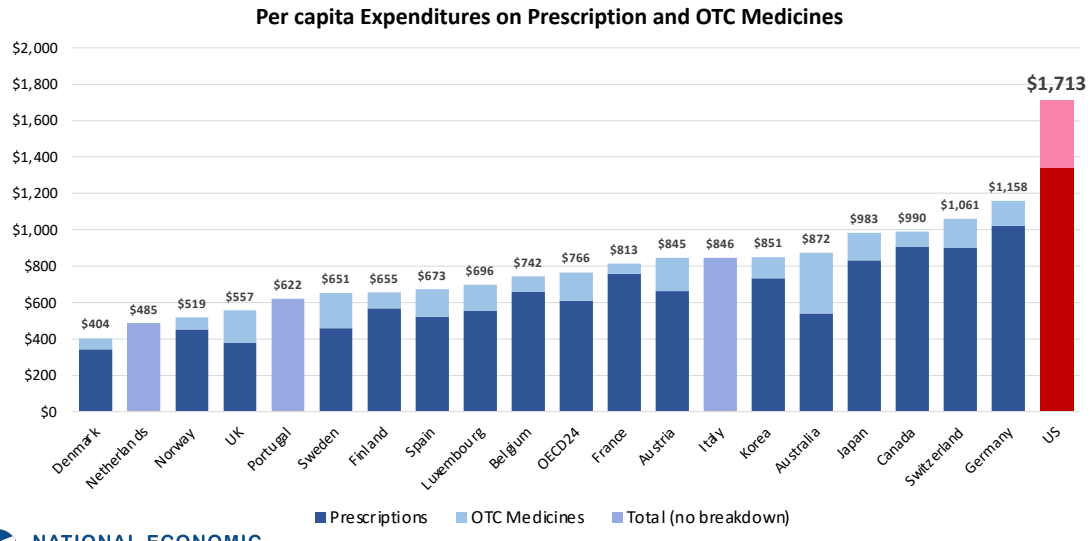
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Concentration in Pharmaceutical Companies

- Between 1995 and 2015, 60 drug companies merged into 10.
- The number of mergers and acquisitions involving one of the top 25 firms more than doubled, from 29 in 2006 to 61 in 2015
- Concentration:
  - Raises prices.
  - Lowers R&D on new drugs.

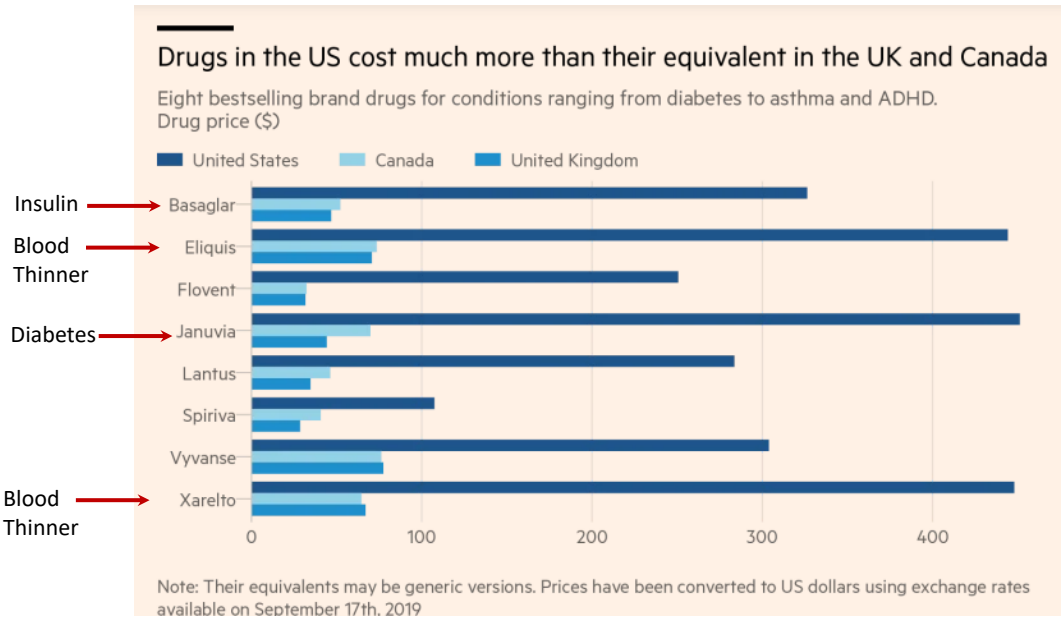
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Spending on Pharmaceuticals (2023)



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Source: *Health at a Glance, 2025* OECD; graph by NEED



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Medicare Modernization Act (2003)

- Prescription Drug Component
  - AKA – gift to pharmaceutical companies.
- Medicare Part D, **by law**, can**not** 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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Concentration 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)

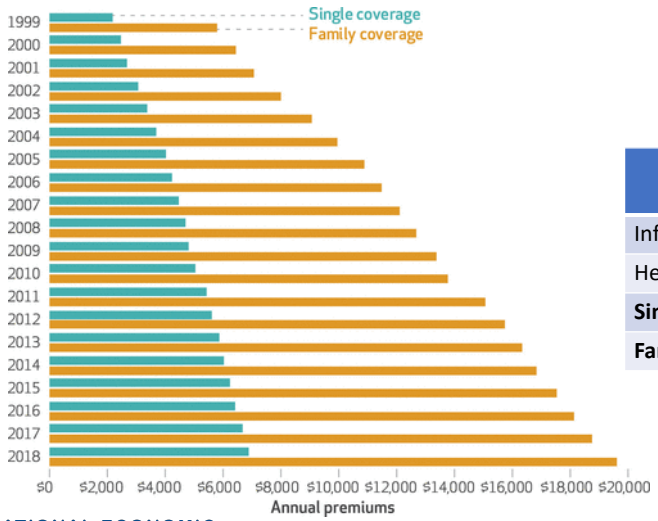
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Source: KRR, Number of Issuers Participating in the Individual Health Insurance Marketplaces

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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**

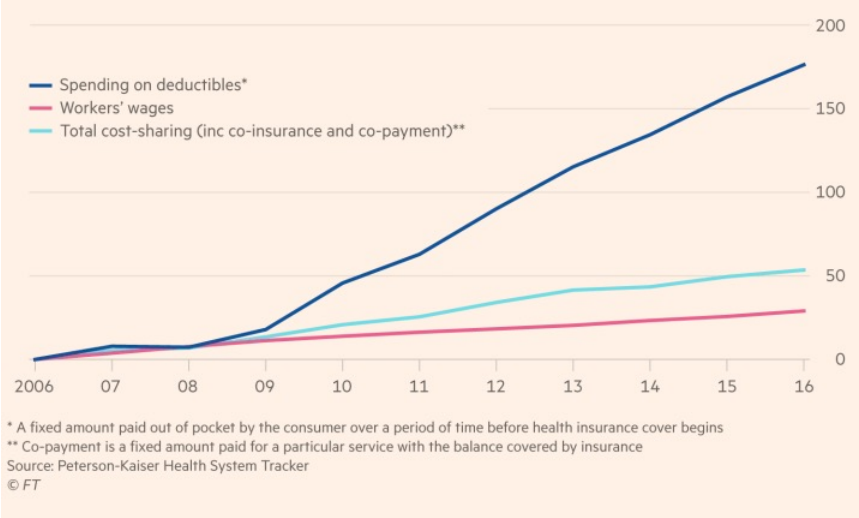
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Source: The Commonwealth Fund

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Spending on Deductibles



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Reason for Higher Health Insurance Rates

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

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Summary

- US HealthCare system is **not preforming 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.
  - One Big Beautiful Bill is backpedaling.

Thank you!

Any Questions?

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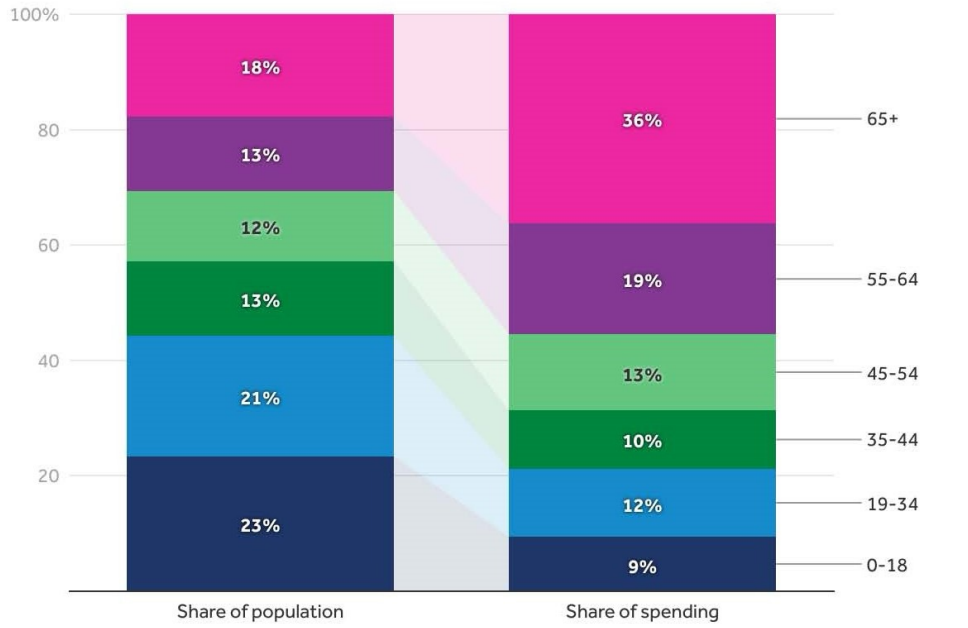
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Share of total population and total health spending, by age group, 2021



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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	

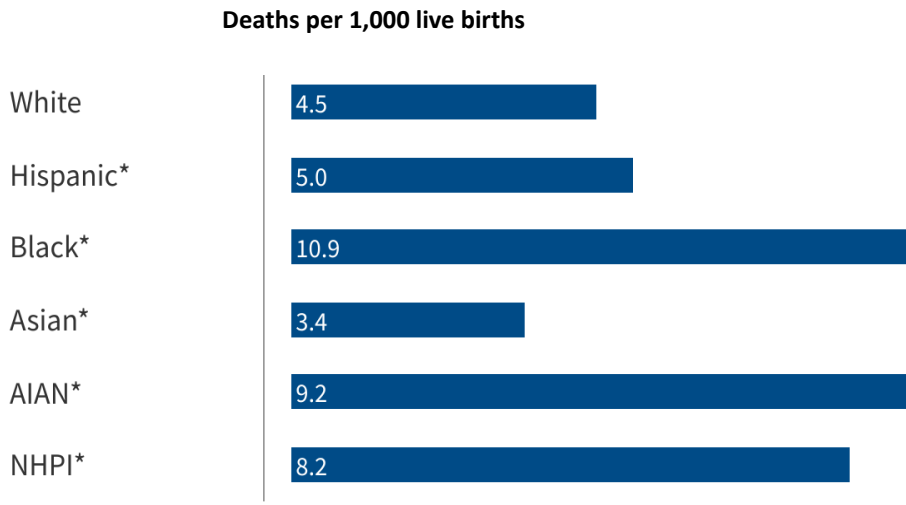
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Source: https://healthinequality.org/documents/paper/healthineq_summary.pdf

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Infant Mortality by Race/Ethnicity (2023)



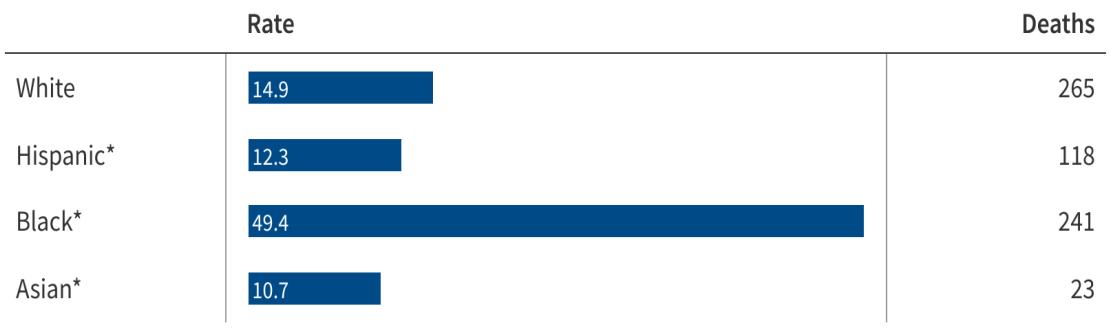
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Source: Ely, DM, Driscoll, AK. *Infant mortality in the United States, 2023*, CDC

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Maternal Mortality Rates by Race

Pregnancy-Related Mortality Rate per 100,000 Births and Number of Deaths by Race and Ethnicity, 2023



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Source: *Pregnancy-Related Deaths by Race-Ethnicity*, 2023, CDC

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