



The Economics of Healthcare

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NEED



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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 5th largest economy in the world.
- For comparison, GDP in each country in 2019:
 - Germany: \$3,845 trillion (4th largest economy)
 - **US Healthcare \$3.8 trillion**
 - UK: \$2,827 trillion (6th largest economy)
 - France : \$2,715 trillion (7th largest economy)

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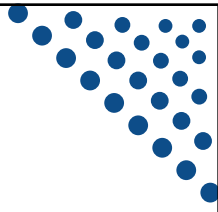
Markets Studied in Health Economics

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

The Three Legs of the Healthcare Stool



Access

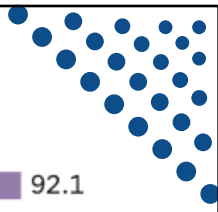


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Health Insurance Coverage, 2022 – 92.1%



Uninsured

7.9

With health insurance

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+

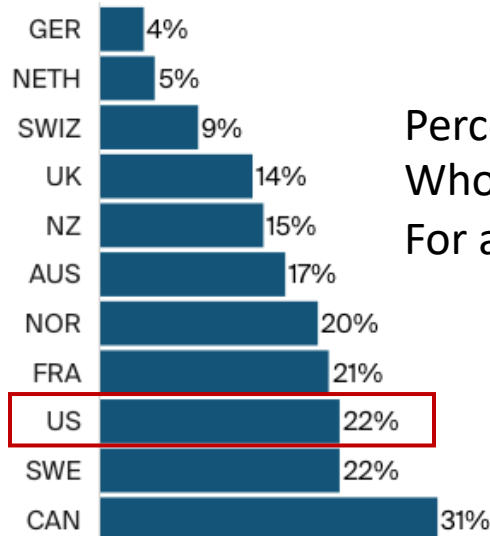
Source: Organization for Economic Cooperation and Development

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But What About Wait Times?



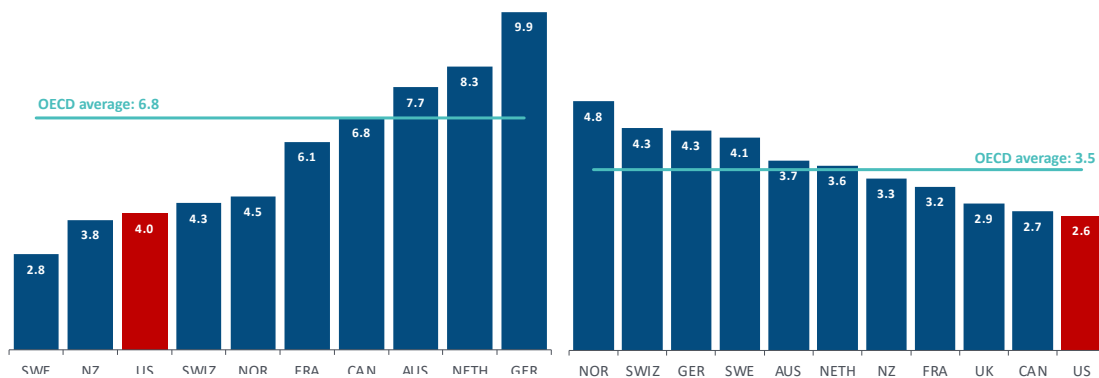
Percentage of adults aged 65+ Who waited more than 6 days For an appointment when sick.

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Physician Visits and Physician Supply

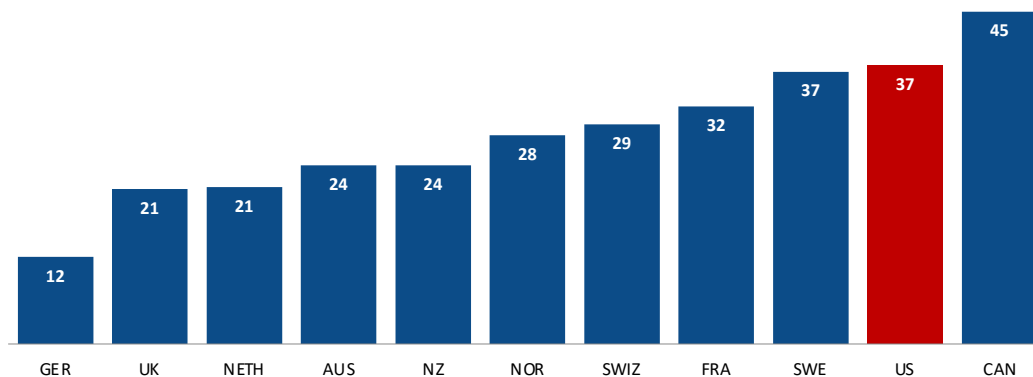
Average physician visits per capita, 2017

Practicing physicians per 1,000 population, 2018



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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).⁹

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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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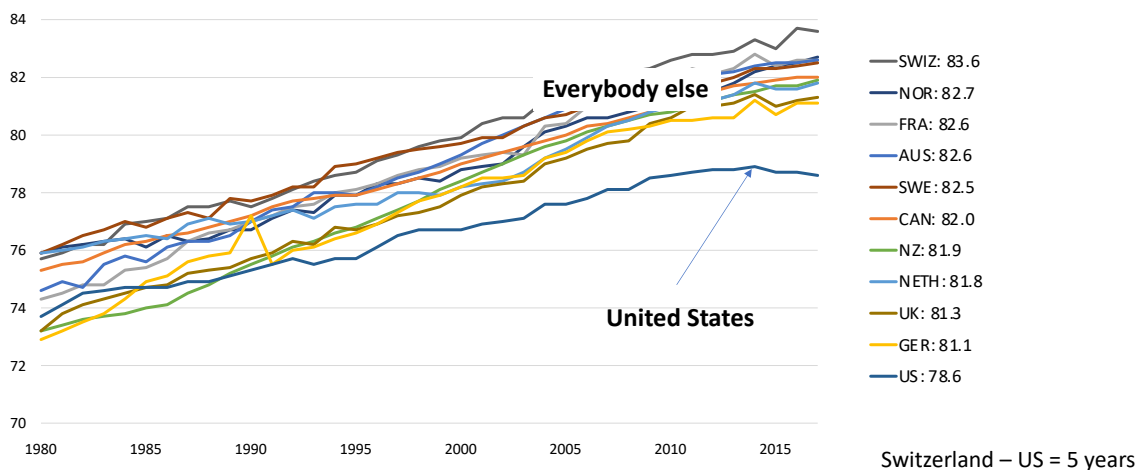
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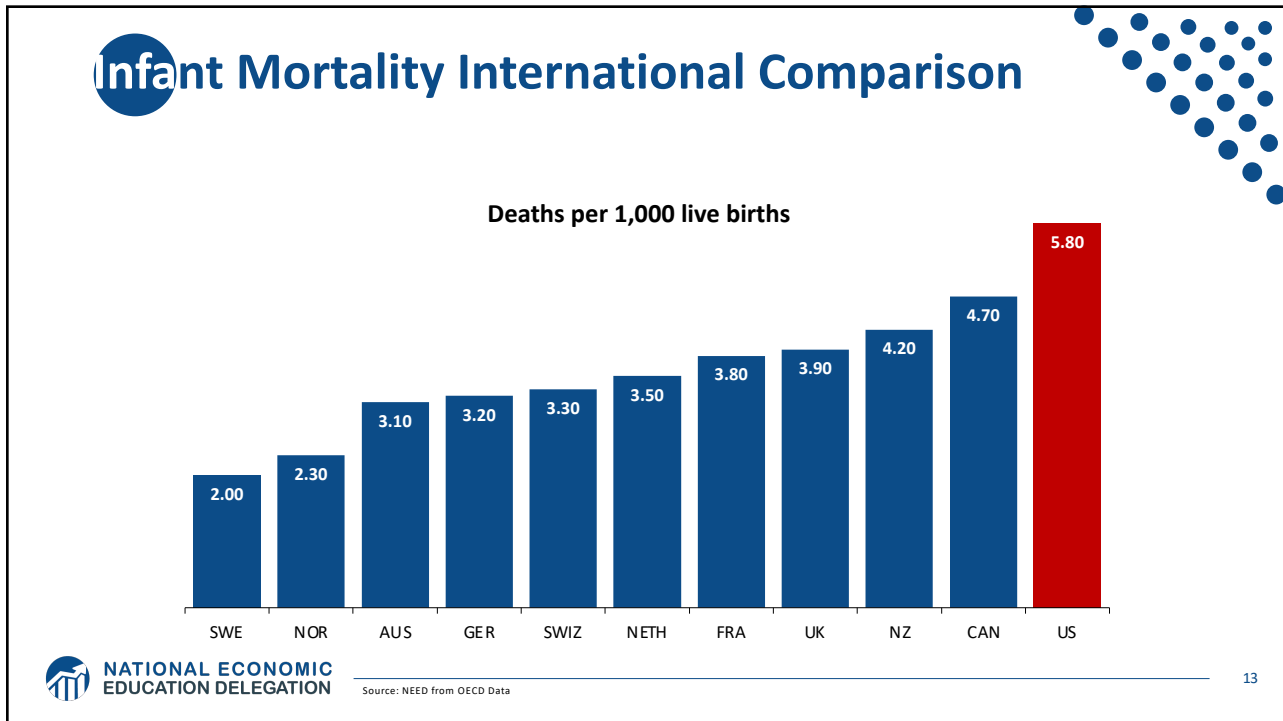
Quality

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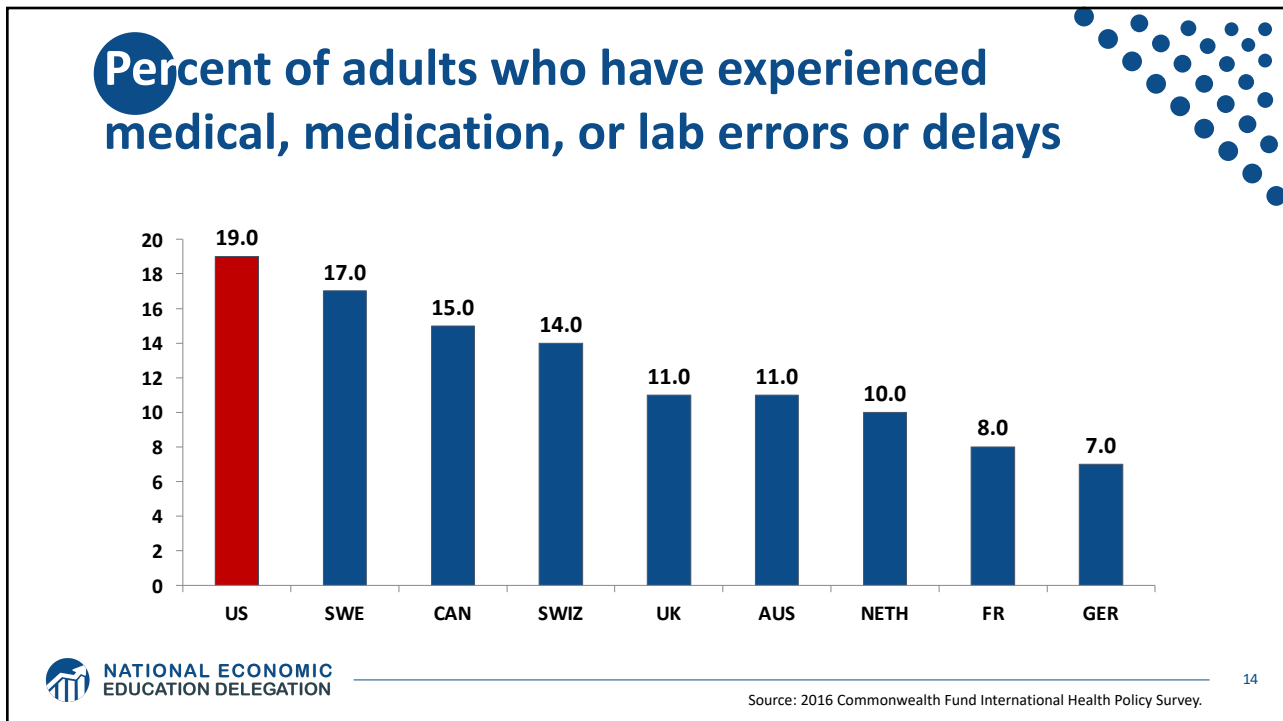
Life Expectancy: How Does the US Compare?



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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.

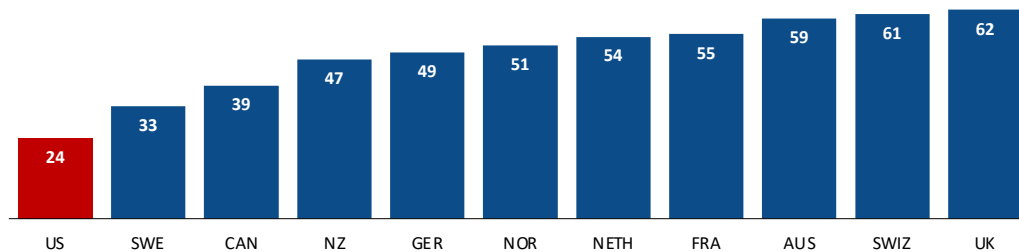


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Perception of Quality of Medical Care

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

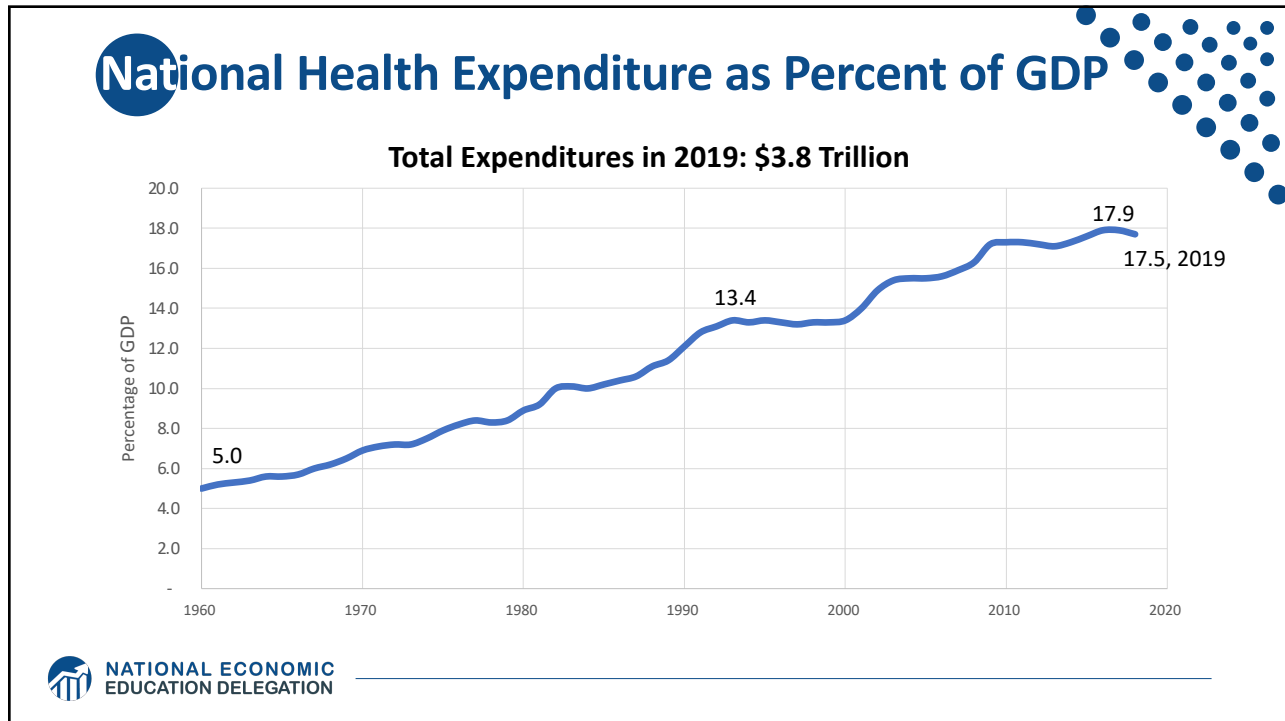


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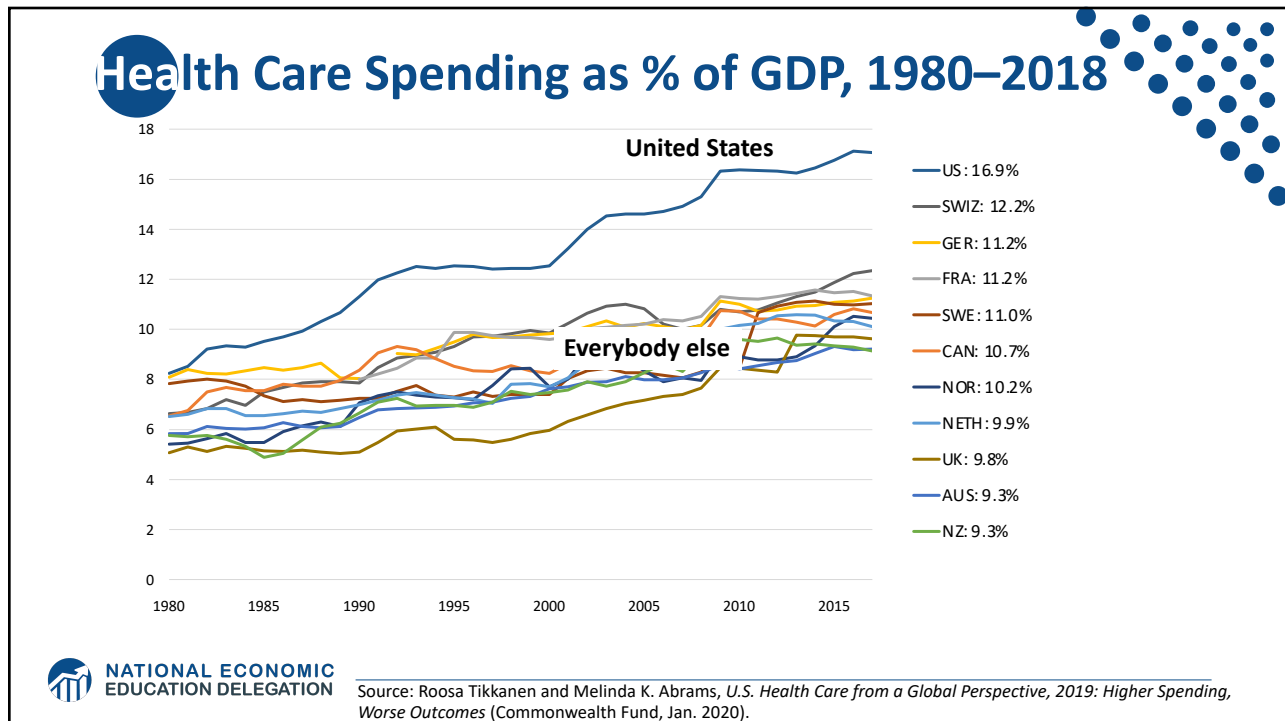
Costs



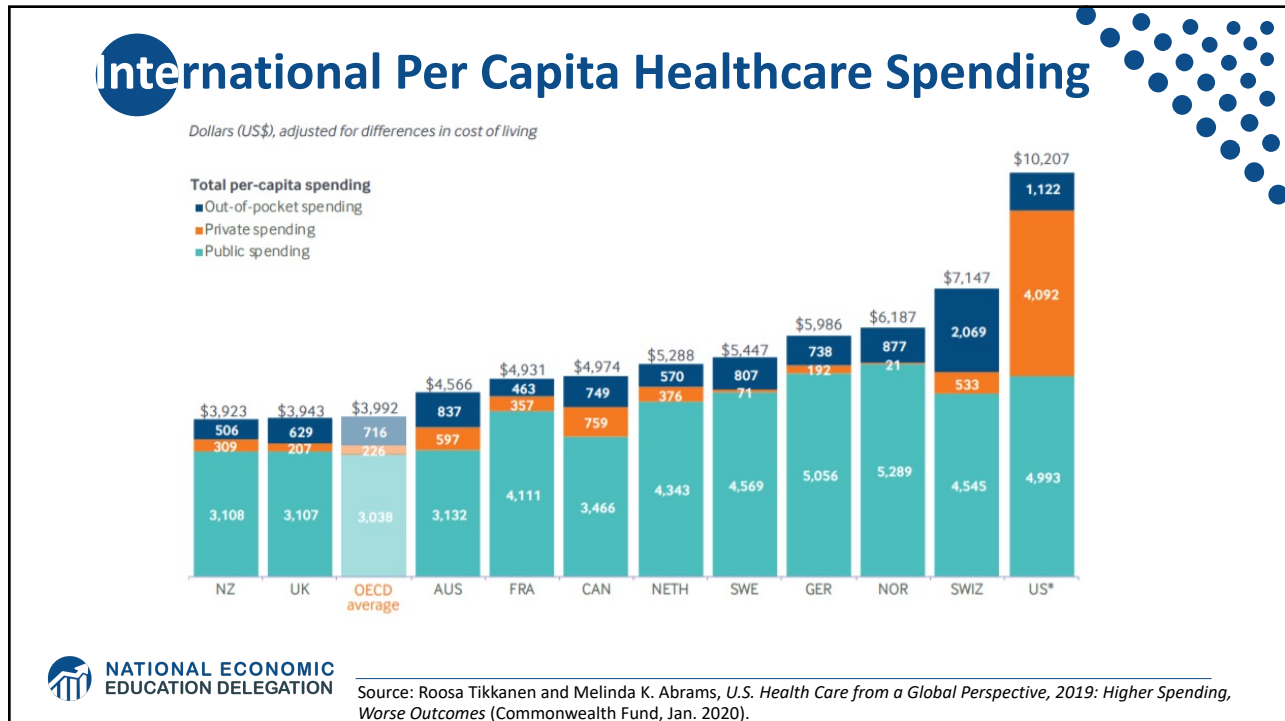
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Why is Healthcare Spending Increasing?

- 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?

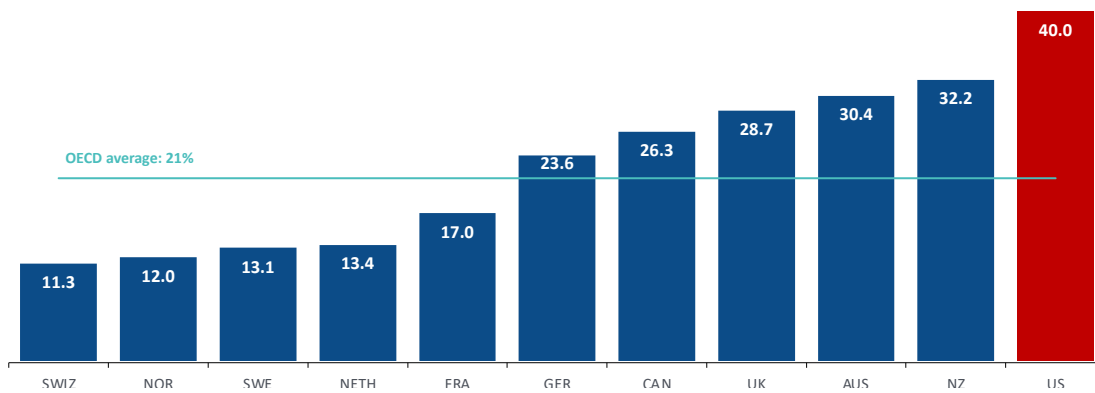
One Reason:

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

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Obesity Rates, 2017

Percent (%)

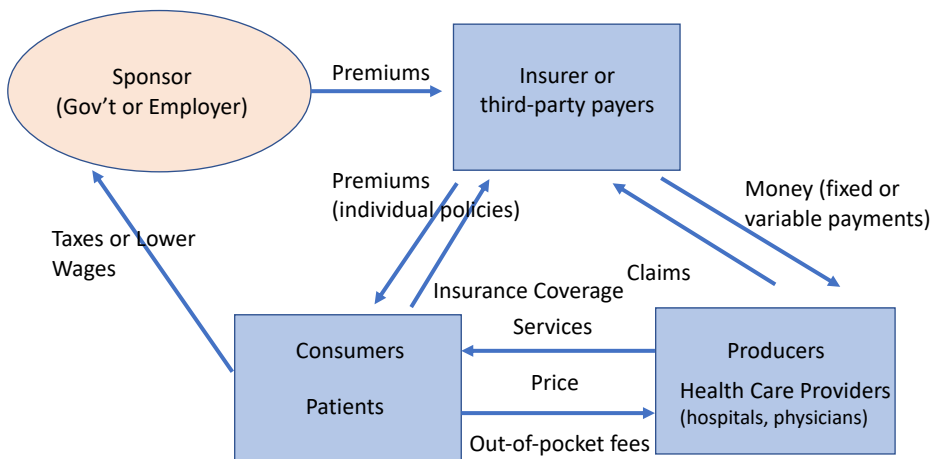


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Markets Matter for Costs

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Health Care Markets are Different



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Policy Matters for Costs



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Hospital Monopolization

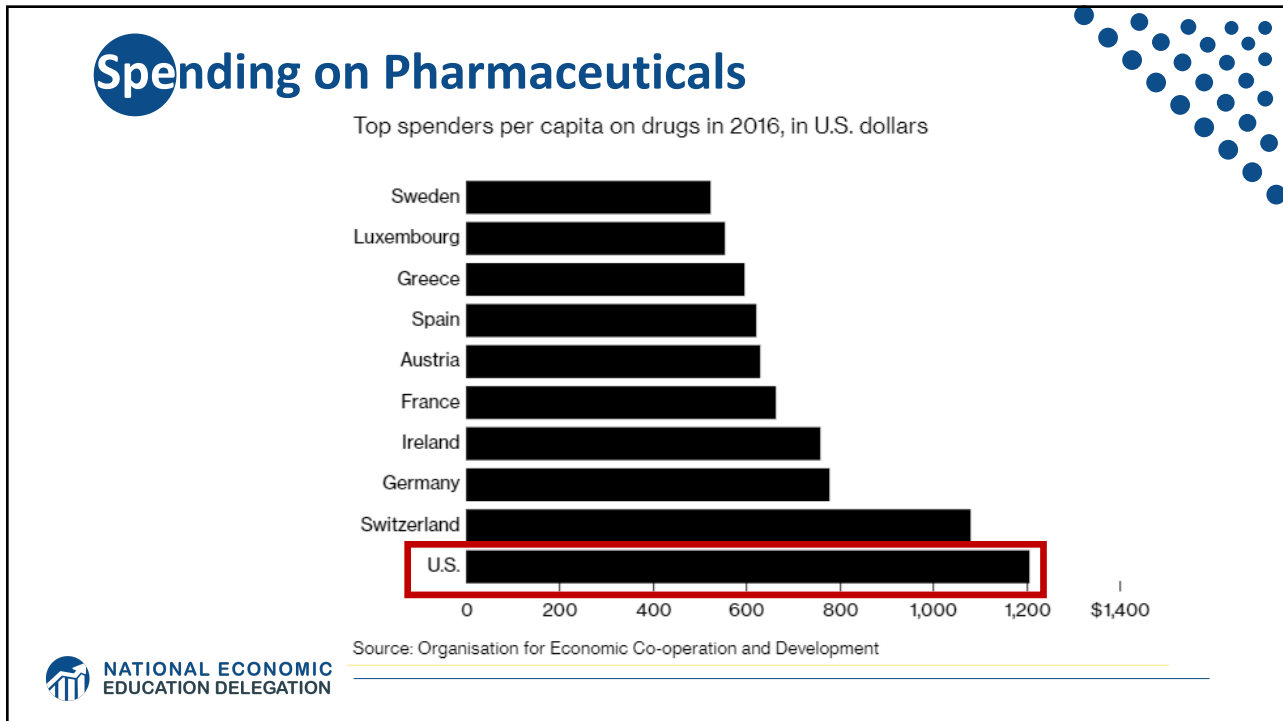
- Less competition in health systems, hospitals, medical groups, and health insurers has surged in recent years.
- Over an 18-month period between July 2016 and January 2018:
 - Hospitals acquired 8,000 more medical practices.
 - 14,000 more physicians left independent practice to become hospital employees.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



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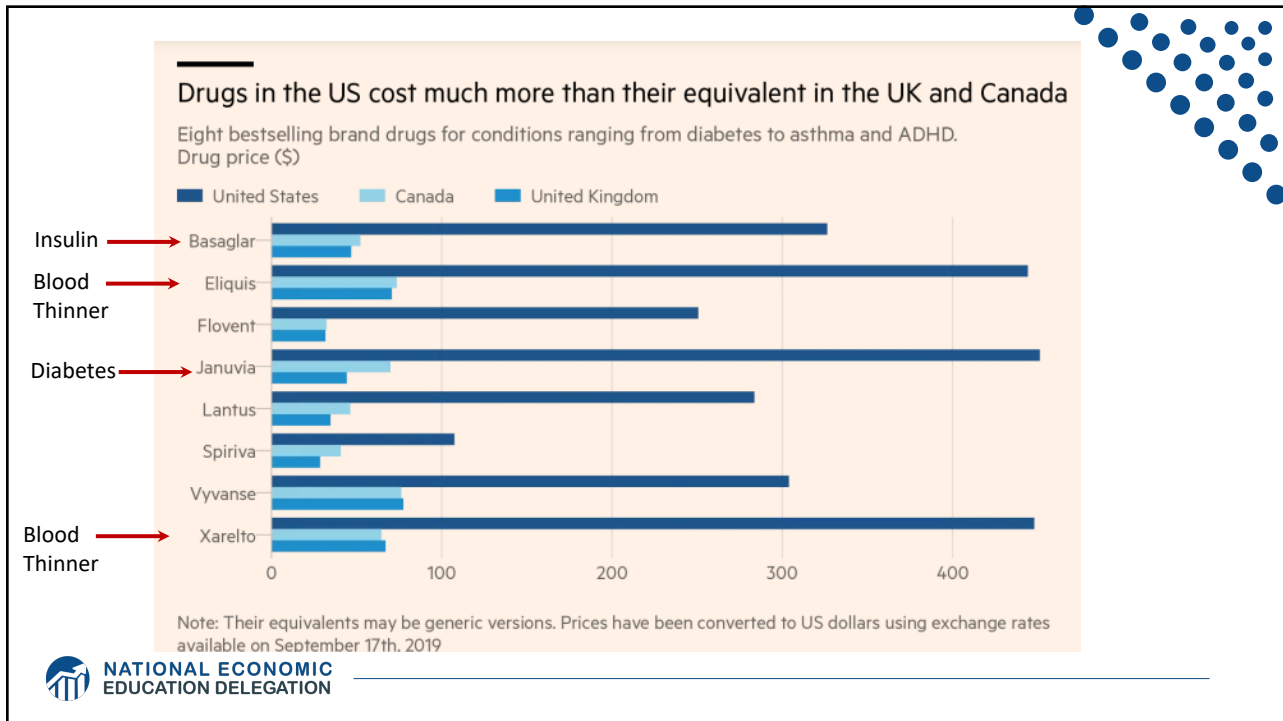
Medicare Modernization Act

- 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**.

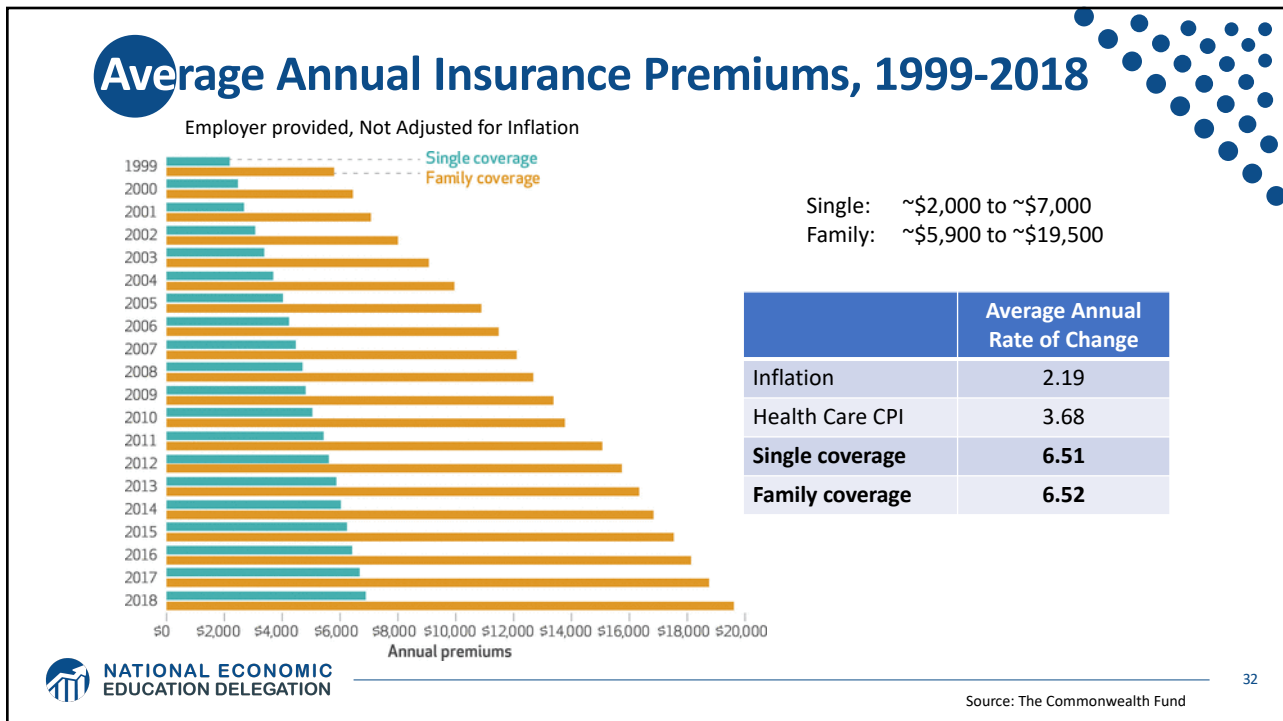
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Reason for Higher Health Insurance Rates

- 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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Thank you!

Any Questions?

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