



Health Insurance

Why is US healthcare so expensive?



Health Coverage Around the World

Who is covered, and how?



Universal coverage with single-payer system

Everyone is covered by a national health-care plan that is fully funded by the government, the "single payer."



Universal coverage with multi-payer system

Everyone is covered under a national health system that has competing insurers, with private options available for those who can afford them.



Multi-payer system with no universal coverage

Not everyone has coverage. Those who do have insurance are covered either through specialized government programs or private insurers.



No national health-care infrastructure (fully out of pocket)

No government options exist to offer people coverage. Individual care providers and aid organizations offer specific health services, but access is limited.

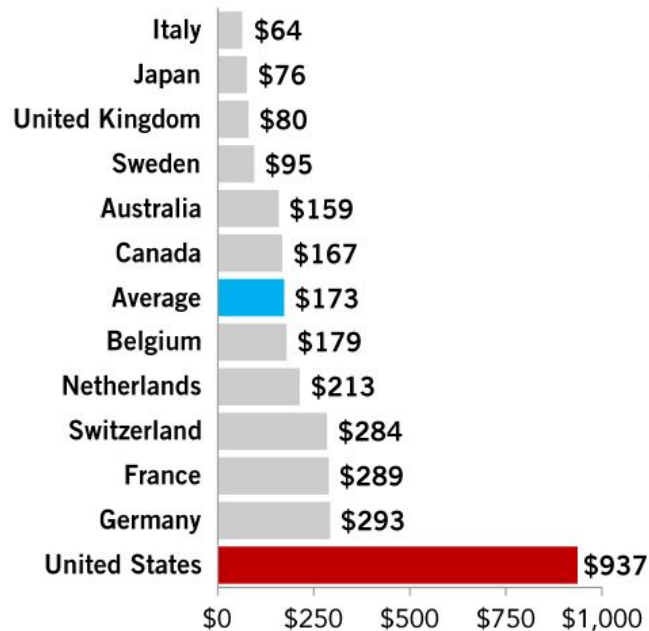
Coverage	Universal: everyone is automatically covered at birth (most countries) or after a certain age or condition (US Medicare and VA)			Non-universal: people have to acquire insurance. Some will remain uninsured.	
Model	Single payer, single provider (also called Beveridge model or socialized medicine)	Single payer, multiple providers	Multiple payers, multiple providers (also called Bismarck model, Sickness Funds or Social Health Insurance)	Multiple payers (private insurance), multiple providers	Out-of-pocket
How it works	Healthcare is provided and financed by the government through taxes.	Healthcare is provided by private doctors in private facilities. The majority of medical bills are paid by the government.	Employers and employees fund national health insurance through compulsory payroll taxes. Health insurance companies are private but non-profit, and are regulated.	A variety of payers, including state- and federal-level plus commercial health insurance companies reimburse healthcare providers on a fee-for-service basis. Most people have insurance through their employer.	Patients pay out-of-pocket for healthcare. They may or may not have private insurance privately or through their jobs.
Relevant examples from the world (and % of GDP spent in healthcare)	UK (10.2%) Cuba (11.1%*)	Canada (10.5%) Taiwan (6.60%*)	Germany (11.0%) Switzerland (11.4%) Japan (11.4%)	The U.S. is the only industrialized country without universal health coverage. Overall, the US spends 17.2% of its GDP in healthcare.	India (4.7%) China (5.6%)
US example	VA (Veterans Administration)	Medicare and part of Medicaid	Affordable Care Act (ACA)	Most commercial health plans	Self-insured or non-insured
Care coordination	● ● ● ●	● ● ●	● ●	● ●	●
Cost control	● ● ● ●	● ● ● ●	● ● ●	● ●	●

Some numbers...

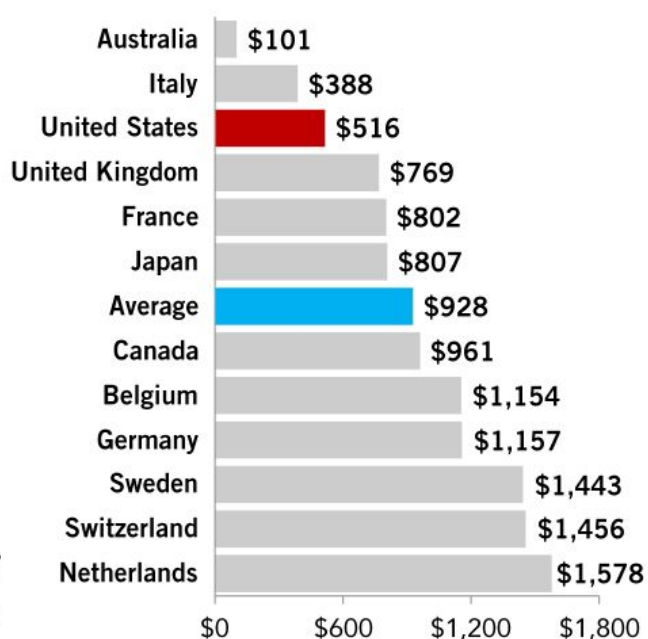
- 27.5 million uninsured
- 44 million underinsured
- Total US population 329.5 million
- ~22% US population is uninsured or underinsured

The United States spends more on administrative costs, but less on long-term healthcare, than other wealthy countries

ADMINISTRATIVE COSTS PER CAPITA (DOLLARS)



Long-Term Care per Capita (Dollars)



SOURCE: Organisation for Economic Co-operation and Development, *OECD Health Statistics 2020*, July 2020.

NOTES: The five countries with the largest economies and those with both an above median GDP and GDP per capita, relative to all OECD countries, were included. Average does not include the U.S. Data are for 2019 or latest available. Chart uses purchasing power parities to convert data into U.S. dollars.

The U.S. Spends Twice as Much as Comparable Countries on Health

Healthcare spending per capita, by spending category, 2018



United States (Total: \$10,637 per capita)



Comparable Country Average (Total: \$5,527 per capita)



Americans on average continue to spend much more for health care—while getting less care—than people in other developed countries

The United States, on a per capita basis, spends much more on health care than other developed countries; the chief reason is not greater health care utilization, but higher prices, according to a study from a team led by a Johns Hopkins Bloomberg School of Public Health researcher.

The paper appears in the January issue of *Health Affairs*.

The researchers determined that the higher overall health care spending in the U.S. was due mainly to higher prices—including higher drug prices, higher salaries for doctors and nurses, higher hospital administration costs and higher prices for many medical services.

4 reasons healthcare is so expensive in the US

1. Multiple systems create waste
2. Drug costs and procedures are expensive and varied
3. Doctors/nurses are paid more
4. Hospitals are profit centers

1. Multiple systems create waste

- The U.S. spends about **8% of its healthcare dollar** on **administrative costs**, compared to 1% to 3% in comparable countries
- Complex system with separate rules, funding, enrollment dates, and out-of-pocket costs for different insurance companies and programs
- Various tiers of coverage, deductibles, and copays or coinsurance
- For providers, this means dealing with many **regulations** about **usage, coding, and billing**

2. Drug costs/procedures are expensive and varied

- Unlike in other countries, US government **does not directly regulate or negotiate the price of drugs**. Instead, US drug companies set their own prices, but insurers and pharmacies determine how much patients actually pay out-of-pocket
- U.S. spends an average of \$1,443 per person, compared to \$749, on average, spent by the other prosperous countries studied
- Because of complexity of the system and the lack of any set prices, providers are **free to charge what the market will bear**. The amount paid for the same healthcare service can vary significantly depending on the payer (i.e. private insurance or government programs, such as Medicare or Medicaid)

3. Doctors/nurses are paid more

- Doctors/nurses earn way above the the average in other industrialized countries
- Seen as essential jobs and difficult, but is the relatively high profit a compensation for burnout? For expensive medical training? Etc.

4. Hospitals are profit centers

- Hospital care accounts for **33% of the nation's healthcare costs**
- Between 2007 and 2014, prices for inpatient and outpatient hospital care rose much faster than physician prices
- Ex. a typical angioplasty to open a blocked blood vessel costs \$6k in the Netherlands, \$7k in Switzerland, and \$32k in the United States
- Since COVID: hospitals have faced unprecedented financial pressures resulting from: costs of preparing for COVID patients, months of essential hospital revenue being erased due to the combination of a forced shutdown and slowdown of regular operations for non-emergent care

In a healthcare utopia, what would exist?

- Not looking for a policy answer at the moment
- Think of needs that should be addressed
- Ex. “I don’t want people to put off getting a condition checked out because they’re worried it’ll cost too much to visit the doctor.”
- Try to be specific!