HEALTHCARE MODELS ACROSS THE GLOBE
A COMPARATIVE ANALYSIS

Sibu Saha, MD, MBA
Professor of Surgery
University of Kentucky

Alley-Sheridan Fellow
Harvard University
EDUCATIONAL GOALS

- Identify major healthcare systems around the globe
- Compare and contrast major systems of healthcare
- List issues of U.S. healthcare
- List possible solutions to the problem of U.S. healthcare
IS HEALTH CARE A RIGHT?

YES?
THE UNIVERSAL DECLARATION OF HUMAN RIGHTS

- The General Assembly of the United Nations adopted and proclaimed these principles in 1948
- Article 25
  - Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.
HOW WILL WE PAY FOR IT?

- Right? Or wrong?
- It **costs money**!

Paid by:
- Tax Revenue
- Insurance
- Out-of-pocket

- Government **DOES NOT** make money!
- “Can print a lot!”
DIFFERENT HEALTHCARE MODELS

- Each nation’s health care system is a reflection of its:
  - History
  - Politics
  - Economy
  - National values

- They all vary to some degree
- However, they all share common principles
- There are four basic health care models around the world
1. THE BISMARCK MODEL

- Germany, Japan, France, Belgium, Switzerland, Japan, and Latin America
- Named for Prussian chancellor Otto von Bismarck, inventor of the welfare state
- Characteristics:
  - Providers and payers are private
  - Private insurance plans – financed jointly by employers and employees through payroll deduction
  - The plans cover everyone and do not make a profit
  - Tight regulation of medical services and fees (cost control)
2. THE BEVERIDGE MODEL

- Named after William Beveridge – inspired Britain’s NHS
- Great Britain, Italy, Spain, Cuba, and the *U.S. Department of Veteran Affairs*
- Characteristics:
  - Healthcare is *provided* and *financed* by the *government*, through tax payments
  - There are no medical bills
  - Medical treatment is a public service
  - Providers can be government employees
  - Lows costs b/c the government controls costs as the *sole payer*
- This is probably what Americans have in mind when they think of “socialized medicine”
3. THE NATIONAL HEALTH INSURANCE MODEL

- Canada, Taiwan, South Korea

Characteristics:

- Providers are private
- Payer is a government-run insurance program that every citizen pays into; has considerable market power to negotiate lower prices
- National insurance collects monthly premiums and pays medical bills
- Plans tend to be cheaper and much simpler administratively than American-style insurance
- Can control costs by: (1) limiting the medical services they will pay for or (2) making patients wait to be treated
4. THE OUT-OF-POCKET MODEL

- Rural regions of Africa, India, China, and South America
- “no-system” countries
- Characteristics:
  - Only the rich get medical care; the poor stay sick or die
  - Most medical care is paid for by the patient, out-of-pocket
  - No insurance or government plan
COMMON PRINCIPLES OF ALL MODELS

- **Coverage**
  - Coverage for every resident (old or young, rich or poor)
  - Moral principle of all developed countries except for US
  - Every country rations care – not everything is covered!

- **Quality**
  - Other developed countries produce better “quality” results than U.S.

- **Cost**
  - All other systems are cheaper than in the US
  - Foreign employers pay far less for health coverage than US companies
  - Effect?

- **Choice**
  - Many countries offer greater choice than most Americans have
BUSINESS MODEL FOR US HEALTHCARE

- Too expensive!
- Mediocre outcomes
- Inadequate & inequitable access
- Profit seeking
  - Wasteful? Harmful?
- Bottomless expectations of patients and physicians
- We are not getting our money’s worth!
UNITED STATES HEALTH SYSTEM

COVERAGE

- Richest country in the world
- Many Americans do not get the care they need
  - Ranked last of 23 developed nations in providing universal care (Commonwealth Fund)
  - 45 million (15% of population) have no health insurance
  - Millions are “underinsured”
- Not curing people with curable diseases?
- Risk of financial ruin due to medical bills
  - Medical bankruptcy is a unique American problem
  - 60% of bankruptcies are a result of medical bills
  - Approximately 700,000 Americans/year
MEASURING QUALITY

- IOM uses the following measures:
  - Safe
  - Effective
  - Efficient
  - Timely
  - Patient-centered
  - Equitable
U.S. HEALTHCARE SYSTEM QUALITY

- Spend the most on healthcare
- Some of the poorest health outcomes
- US lags other rich countries in treating curable diseases
- Ranked last in infant mortality rate
AMERICA’S CHECKUP

- The quality of care varies widely among sex, race, age, and region.
US QUALITY RANKINGS

- Ranked 37th in list of 192 countries (WHO)
- Ranks 66th out of 100 on a scorecard assessing efficiency, equality, and access (Commonwealth Fund Commission)
- Outlier in health spending and information technology (OECD)
- Estimated 44 to 98,000 deaths/year from medical errors (IOM, 1999)
Ranks last compared with 5 other nations on measures of quality, access, efficiency, equity and outcomes

- Germany
- Britain
- Australia
- Canada
- New Zealand

All provide better care for less money
EMERGENCY MEDICAL TREATMENT AND ACTIVE LABOR ACT (EMTALA)

- Understaffed
- Overwhelmed
- Long wait
- Overcrowded
- Specialists refuse to take ER call
- Frequent diversion of ambulance
- “the emergency services are in need of life support.”

Healthcare access for all in the U.S.
UNITED STATES HEALTH SYSTEM COST

- Largest spender on health care health care
  - 16% of GDP
  - 2.3 trillion in 2007
- What does it get us?
- Why so high?
  - Providers make more money
  - High malpractice insurance
  - THE WAY WE MANAGE HEALTH INSURANCE AND THE COMPLEXITY OF OUR HEALTH SYSTEM
- Only country that relies on profit-making health insurance companies!!
- Private insurance industry has the world’s highest administrative costs of any health care payer in the world
- We have the most fragmented health care system in the world
THIS IS OUR REAL THREAT!

- Growing cost of federal spending on entitlement

1966
- Defense: 34%
- Social Security: 1%
- Medicare & Medicaid: 14%
- Net Interest: 9%
- All other spending: 36%

1986
- Defense: 28%
- Social Security: 20%
- Medicare & Medicaid: 10%
- Net Interest: 14%
- All other spending: 21%

2006
- Defense: 20%
- Social Security: 31%
- Medicare & Medicaid: 19%
- Net Interest: 9%
- All other spending: 21%
COST COMPARISON: OECD COUNTRIES 1990 TO 2005

USA:
- 1990 – 11.9%
- 2005 – 15.3%

OECD:
- 1990 – 6.9%
- 2005 – 9.0%
SAVING OUR FUTURE REQUIRES TOUGH CHOICES TODAY...

- “Our single largest domestic policy challenge is healthcare”

- The truth is, our nation’s healthcare system is in critical condition. It’s plagued by growing gaps in coverage, soaring costs, and below average outcomes for an industrialized nation on basic measures like error rates, infant mortality and life expectancy.

The Honorable David M. Walker, Comptroller General of the USA
GREAT BRITAIN

- **Insured**
  - 100% of population insured

- **Spending**
  - 7.5% of GDP

- **Funding**
  - Single payer system funded by general revenues (National Health System); operates on huge deficit

- **Private Insurance**
  - 10% of Britons have private health insurance
  - Similar to coverage by NHS, but gives patients access to higher quality of care and reduce waiting times

- **Physician Compensations**
  - Most providers are government employees
GREAT BRITAIN

- Physician Choice
  - Patients have very little provider choice

- Copayment/Deductibles
  - No deductibles
  - Almost no copayments (prescription drugs)

- Waiting Times
  - Huge problem

- Benefits Covered
  - Offers comprehensive coverage
  - Terminally ill patients may be denied treatment
CANADA

- **Insured**
  - Single payer system – 100% insured
  - Each province must make insurance:
    - Universal (available to all)
    - Comprehensive (covers all necessary hospital visits)
    - Portable (individuals remain covered when moving to another province)
    - Accessible (no financial barriers, such as deductible or copayments)

- **Funding**
  - Federal government uses revenue to provide a block grant to the provinces (finances 16% of healthcare)
  - The remainder is funded by provincial taxes (personal and corporate income taxes)

- **Spending**
  - 9% of GDP

- **Private Insurance**
  - At one time all private insurance was prohibited; changed in 2005
  - Many private clinics now offer services on the black market
CANADA

- **Physician Compensation**
  - Physicians work in private practice
  - Paid on a fee-for-service basis
  - These fees are set by a centralized agency; makes wages fairly low

- **Physician Choice**
  - Referrals are required for all specialist services except the ED

- **Copayment/Deductibles**
  - Generally no copayments or deductibles
  - Some provinces do charge insurance premiums

- **Waiting Times**
  - Long waiting lists
  - Many travel to the U.S. for healthcare
FRANCE

- **Insured**
  - About 99% of population covered

- **Cost**
  - 3rd most expensive health care system
  - 11% of GDP

- **Funding**
  - 13.55% payroll tax (employers pay 12.8%, individuals pay 0.75%)
  - 5.25% general social contribution tax on income
  - Taxes on tobacco, alcohol and pharmaceutical company revenues

- **Private Insurance**
  - “more than 92% of French residents have complementary private insurance”
  - These funds are loosely regulated (less than U.S.); the only requirement is renewability
  - These benefits are not equally distributed (creates a two-tiered system)
FRANCE

- **Physician Compensation**
  - Providers paid by national health insurance system based on a centrally planned fee schedule – fees are based on an upfront treatment lump sum (similar to DRGs in US)
  - However, doctors can charge whatever they want
  - The patient or the private insurance makes up the difference
  - Medical school is free
  - Legal system is fairly tort averse

- **Physician Choice**
  - Fair amount of choice in the doctors they choose

- **Copayment/Deductible**
  - 10% to 40% copayments

- **Waiting Times**
  - Very little waiting lists/times

- **Technology**
  - Government does not reimburse new technologies very generously
  - Little incentive to make capital investments in medical technology
GERMANY

- **Insured**
  - 99.6% of population – sickness funds
  - Those with higher incomes can buy private insurance
  - The federal gov. decides the global budget and which procedures to include in the benefit package

- **Funding**
  - Sickness funds are financed through a payroll tax (avg. 15% of income)
  - The tax is split between the employer and employee

- **Private insurance**
  - 9% of Germans have supplemental insurance; covers items not paid for by the sickness funds
  - Only middle- and upper-class can opt out of sickness funds

- **Physician Compensation**
  - Reimbursement set through negotiation with the sickness funds
  - Providers have little negotiating power
  - Very low compensation
  - Significant reimbursement caps and budget restrictions
GERMANY

- **Copayment/Deductibles**
  - Almost no copayments or deductibles

- **Technology**
  - Low technology compared to U.S.

- **Waiting Times**
  - WHO reported that “waiting lists and explicit rationing decisions are virtually unknown”

- **Benefits Covered**
  - There is an extensive benefit package which even includes sick pay (70% to 90% of pay) for up to 78 weeks
JAPAN

○ Insured
  • Universal health insurance based around a mandatory, employment-based insurance
  • “The Employee Health Insurance Program” requires that all companies with 700 or more employees to provide workers with health insurance
  • Small business workers join a government-run small business national health insurance plan
  • The self-employed and the retired are covered by Citizens Insurance Program administered by municipal governments

○ Costs
  • Not as high as U.S.; average household spends $2300 per year on out-of-pocket costs
  • Japans have a healthy lifestyle – lower incidence of disease

○ Funding
  • 8.5% (large business) or an 8.2% (small business) payroll tax
  • Payroll taxes are split almost evenly between employer and employee
  • Those who are self-employed or retired must pay a self-employment tax

○ Private Insurance
  • Very rare for Japanese to use this; less than 1%
Physician Compensation
- Hospital physicians are salaried
- Non-hospital physicians are paid on a fee-for-service basis
- Hospitals and clinics are privately owned but the government sets the fee schedule

Physician Choice
- No restrictions on physician or hospital choice
- No referral requirements

Copayment/Deductibles
- Copayments are 10% to 30%
- Capped at $677 per month for the average family

Technology
- High levels of technology; comparable to U.S.

Waiting Times
- Significant problem at the best hospitals b/c they cannot charge higher prices
Healthcare comparisons

**Expenditure on health % GDP**
- US: 16%
- France: 11%
- UK: 8.4%
- Singapore: 3.4%

**Expenditure on health, per capita US $**
- US: $7,290
- France: $3,601
- UK: $2,992
- Singapore: $1,228

**Expenditure from private sector**
- Singapore: 67.4%
- US: 52.8%
- France: 20.8%
- UK: 12.9%

**Infant mortality per 1,000 live births**
- US: 6.7
- UK: 4.8
- France: 3.8
- Singapore: 2.1

**Life expectancy at birth**
- France: 81 years
- Singapore: 79.7 years
- UK: 79.1 years
- US: 78.1 years

**US – without health insurance**
- 45.7 million (15.3% of population)
- 10.4% of Non-Hispanic whites
- 19.5% of Blacks
- 32.1% of Hispanics
- 16.8% of Asians

*Source: OECD, WHO*
Comparison of Global Healthcare by Rand Corporation

![Bar chart showing comparison of global healthcare issues across countries.](chart)
UNIVERSAL LAWS OF HEALTHCARE SYSTEMS

- No matter how good the healthcare in a particular country people will complain about it
- No matter how much money is spent on healthcare, the doctors and hospitals will argue that it is not enough
- The last reform always failed

- Tsung-mei Cheng, an American economist
5 MYTHS ABOUT HEALTH CARE AROUND THE WORLD

1. It’s all socialized medicine out there
   - Many countries provide universal coverage using private providers, hospitals and insurance plans

2. Overseas, care is rationed through limited choices or long lines – some truth.

3. Foreign health systems are inefficient, bloated bureaucracies

4. Cost control stifles innovation
   - False. This pressure to control cost can generate innovation

5. Health insurance companies have to be cruel
   - Insurance plans in other countries accept all applicants
   - Cannot deny on the presence of a preexisting condition
   - Cannot cancel as long as you pay your premium
U.S. HEALTHCARE: COST DRIVERS

- Drugs and devices
- Defensive medicine
- Demands
  - Patient related
  - Physician related---? Fee for service!
- Administrative costs
- Market driven healthcare
COST MANAGEMENT

- Evidence based medicine
- Use of protocol and guidelines
- Reduction of administrative costs
- Managing demand
- Management of chronic diseases
- Promotion of healthier living
- Tort Reform
- Use of HIT
- Uniformity of Healthcare
What is good about our system?

- US is responsible for more than 53% of Drug Research Dollars
- Best Medical Education and Training in the World
- Eight of the top 10 medical Advances in the past 20 years was developed in the US
- Nobel Prizes in Medicine have been awarded to more Americans than to researchers in all other countries combined
- Eight of the 10 top-selling drugs are made in the US
- We have the highest breast, colon, and prostate cancer survival rates in the world
“Life is not about waiting for the storms to pass...it’s about learning to dance in the rain!”
-Vivian Greene

Thank You