



A Worldwide Lens: Global Healthcare and U.S. Reform

December 17, 2009

By David W. Johnson

While December brings colder weather and shorter days, the healthcare debate is heating up and pressing legislators into late-night and weekend sessions. The details are mind-numbing. Competing House and Senate bills are 2,000 pages apiece and despite early hope for cooperation, partisan brinksmanship has defined the legislative process. The Congressional Budget Office (CBO) projects spending cuts and tax increases will be sufficient to cover the cost of expanding coverage to 30 million additional people; however, the CBO also concludes healthcare reform will not reduce the nation's record deficits. Opponents assert healthcare reform will increase costs, raise insurance premiums and decrease Medicare benefits. A new *USA Today/Gallup Poll* (December 16, 2009) shows a divided nation with 48 percent against healthcare reform and 46 percent in favor of it.

In this white-hot moment, it is noteworthy that 40 countries with vastly different cultures, economies and politics have national healthcare systems. How these countries provide healthcare is a useful lens for viewing legislative efforts aimed at improving U.S. healthcare. This edition of Z-talks relies extensively on T. R. Reid's insightful book, *The Healing of America: A Global Quest for Better, Cheaper and Fairer Health Care* (Penguin Press, 2009). A long-time foreign correspondent for the Washington Post, Reid's quest began as he searched for treatment for a "bum shoulder" incurred years ago while in the Navy.

Insights that emerge from a global healthcare tour include:

- **National Systems Vary Greatly:** The structures of national health systems vary greatly as illustrated by a comparison of the British and German healthcare systems. The British government owns the country's hospitals, employs its doctors, funds healthcare from taxes and has low overall costs. No one receives a bill for healthcare services. The British system emphasizes primary care and is among the best at preventative care. It also has long waiting times for elective procedures. In contrast, Germany's hospitals, doctors and insurers are all private. All Germans carry a "smart card" that contains their medical histories and tracks their medical treatments and pharmaceutical use. The country has high overall costs (over 20 percent higher than Great Britain on a per capita basis) and German families pay high monthly health insurance premiums (\$750). Unlike the British, Germans have very short waiting times for procedures (even shorter than Americans).
- **Spending Less for Healthier Populations:** The United States spends 16 percent of GDP on healthcare, far more than any other developed country. U.S. per capita healthcare spending in 2007 was \$7,290, more than double the level (\$2,984) for the 30-member countries of the Organization for Economic Cooperation and Development (the OECD is a proxy for the world's most advanced economies). Despite the high spending, Americans aren't comparatively healthier. France spends 11 percent of GDP (\$3,601 per capita) and finished first in the World Health Organization's national healthcare ranking. The United States placed 37th between

Costa Rica and Slovenia. OECD statistics in 2006 ranked Japan first in life expectancy at 82.4 years while the U.S. ranked 26th at 78.1 years; Iceland ranked first in infant mortality at 1.0 per thousand births while the U.S. ranked 29th at 6.7 per thousand; and the U.S. had the highest percentage of overweight and obese adults at 67.3 percent while Japan had the lowest at 25.1 percent.

- **Strong Incentives for Education, Prevention and Disease Management:** National systems provide basic healthcare coverage through government funding or private, non-profit insurance companies. That generally covers 60 percent to 70 percent of a country's healthcare expenditures. Consequently, either the government or a large insurance company bears the "healthcare" risk for each member of a society. This creates powerful incentives for funding health and nutrition education, preventative care and disease management.

While each national healthcare system is unique, the challenge of providing healthcare to its people is universal. For any country, there are three fundamental policy questions:

1. Who receives care?
2. How much care do they receive?
3. Who pays for the care?

The differences range broadly in answering these three policy questions – from some developed countries considering healthcare to be a basic right to determining and funding appropriate levels of care. Despite these differences, Reid observes that all national health systems strive to achieve the following goals: keeping their citizens healthy, treating the sick, and protecting patients and their families from financial ruin caused by medical bills. Given these desired outcomes, the existing national healthcare systems share three structural features:

- **Individual Mandate:** All citizens must participate in the system. Many systems allow supplemental coverage to speed access to care or improve amenities. Germany allows its wealthiest 10 percent to opt out of their system by buying private insurance.
- **Universal Coverage:** In countries that require individuals to purchase health insurance, the state provides subsidies for those who cannot afford to pay for their insurance premiums.
- **Uniform Pricing:** All countries establish firm pricing guidelines for healthcare services with price controls or through regulated negotiation between payors (employers and insurance companies) and providers (hospitals and doctors).

Right or wrong, the United States is a significant outlier in each of these areas. With the exception of Massachusetts, there are no mandates requiring Americans to purchase health insurance. Universal coverage does not exist. And, among countries with national healthcare systems, the United States is unique in that its hospitals and

doctors charge different prices for the same care (e.g., commercial insurers pay more than Medicare for specific procedures).

The economics of healthcare reform are daunting, but mathematics suggests that “outliers regress to the mean.” Current healthcare reform proposals validate this proposition by bringing the United States closer to existing national healthcare systems: more individual mandates, higher subsidies and decreasing pricing differentials for specific healthcare services.

What can Americans learn about healthcare reform from countries that have national healthcare systems? The core lesson is that the U.S. can spend less on healthcare while improving the nation’s overall health. Other countries have done it. Their systems are far from perfect, but each provides healthcare to its people at a relatively low per capita cost and has generally healthy societies. If the U.S. wants to reduce healthcare spending and foster a healthier society, logic suggests its healthcare system will need to expand coverage, reduce pricing variation and redesign incentives to promote disease prevention and management.