HEALTH CARE MODELS: INTERNATIONAL COMPARISONS

Dr. Jaime Llambíás-Wolff, Ph.D.
York University

Based and adapted from presentation by:

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

Alley-Sheridan Fellow
Harvard University
DIFFERENT HEALTH CARE 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
FOUR DIFFERENT HEALTHCARE MODELS

THE BISMARCK MODEL

THE BEVERIDGE MODEL

THE NATIONAL HEALTH INSURANCE MODEL

THE OUT-OF-POCKET MODEL
1. THE BISMARCK MODEL

- Germany, Japan, France, Belgium, Switzerland, Japan, and several countries in Latin America

- Named for Prussian chancellor Otto von Bismarck, father 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, Chile (until 1973)
- Characteristics:
  - Healthcare is provided and financed by the State through tax payments
  - There are no medical bills
  - Medical treatment is a public service
  - Providers can be government employees
  - The government controls costs as the sole payer
3. THE NATIONAL HEALTH INSURANCE MODEL

- Canada, Taiwan, South Korea

- Characteristics:
  - Providers are private
  - Payer is a State-run insurance program that every citizen pays into
  - National insurance collects monthly premiums and pays medical bills
  - 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 some countries in South America
- Characteristics:
  - Only the rich get medical care; the poor stay sick or receive minimal services by public and humanitarian institutions
  - Most medical care is paid for by the patient, out-of-pocket
  - No insurance or government plan
FINANCIAL AND BENEFITS COMPARISONS BETWEEN “OECD” (*) COUNTRIES

- UNITED STATES OF AMERICA
- GREAT BRITAIN
- FRANCE
- CANADA
- GERMANY
- JAPAN

* OECD includes highly economic developed countries
COSTS COMPARISONS (% of GDP) FOR OECD COUNTRIES 1990 TO 2005

USA:
1990 – 11.9%
2005 – 15.3%

CANADA:
1990 – 8.9%
2005 – 9.8%

OECD:
1990 – 6.9%
2005 – 9.0%
UNITED STATES HEALTH SYSTEM COSTS

- Largest spender on health care health care
  - 16% of GDP
  - 2.3 trillion in 2007

- Why so high?
  - Providers make more money
  - High malpractice insurance
  - THE WAY WE MANAGE HEALTH INSURANCE AND THE COMPLEXITY OF THE 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

- Most fragmented health care system in the world
GREAT BRITAIN COSTS

- 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, paid under salary and according to number of listed patients.
GREAT BRITAIN BENEFITS

- 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 COSTS

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
CANADA BENEFITS

- 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
  - Great difficulties for a family doctor

- 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 COSTS

• 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. The only requirement is renewability
  – These benefits are not equally distributed (creates a two-tiered system)
FRANCE BENEFITS

• 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
  – However, doctors can charge whatever they want
  – The patient or the private insurance makes up the difference
  – Medical school is free

• 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 COSTS

• 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 BENEFITS

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

- **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 COSTS

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
- 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%
JAPAN BENEFITS

- **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
- France: 4.8
- UK: 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
THE END