

# Health Care – An Overview

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# Topics

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- International Comparisons
- Health care in the United States
  - Total spending
  - Cost Drivers
  - Regional differences
- Health care reform
  - Oregon
  - U.S.

# International Comparisons

- Four health care models worldwide (T.R. Reid – The Healing of America)
- Socialized medicine: Government provides and pays for health care for everyone – England, New Zealand
- Social insurance: Nonprofit insurers compete for membership, everyone required to have coverage that is paid by premiums (w/ subsidies), services provided by private providers – Germany, Netherland, Japan, France, Switzerland
- National health Insurance: Government pays for services paid by premiums (w/subsidies). Everyone covered for services from private providers - Canada, Taiwan, South Korea
- Out-of-pocket: Have assets get health care – 140 counties

# International Comparisons

- United States has all four models
  - Veterans and Native Americans – Socialized medicine model like England
  - Medicare and Medicaid – National health Insurance model like Canada
  - Workers in companies with health Insurance – insurance model like Germany
  - Rest – Out-of-pocket model like other 140 countries (ER access not health care)
  
- The United State spends more on health care and gets below average results compared to 30 other countries considered to be most economically advanced

# International Comparisons

## ■ Spending per capita (2004 from Congressional Research Service)

Select countries	Health Care spending per capita	Health Care spending as a percent of GNP
<b>United States</b>	<b>\$6,102</b>	<b>15.3%</b>
Switzerland	\$4,077	11.6%
Canada	\$3,165	9.9%
France	\$3,159	10.5%
Germany	\$3,043	10.6%
United Kingdom	\$2,508	8.1%
Japan	\$2,249	8.0%
Mexico	\$662	6.5%
<b>Average</b>	<b>\$2,560</b>	<b>8.9%</b>

# International Comparisons

## ■ Health Outcomes

- Compare the United States health indicators to five other countries - -Australia, Canada, Germany, New Zealand, United Kingdom

- US rated last for:

lower life expectancy

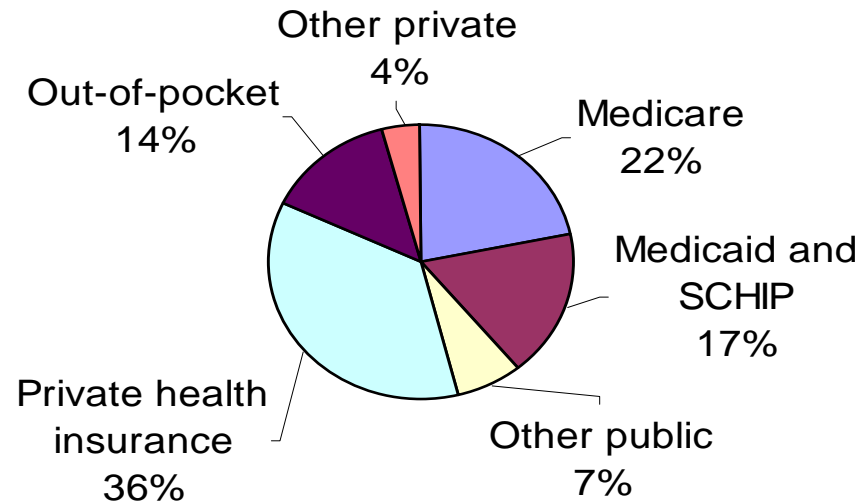
higher percentage of Infant mortality

Higher percentage of obesity

Avoidable deaths

# U.S. Health Care Cost Drivers

**Total Spending \$1.87 Trillion  
(2007)**



# U.S. Health Care Cost Drivers

Health Care Benefit Age Profiles 1/								
	0-14	15-19	20-49	50-64	65-69	70-74	75-79	80+
Australia	0.60	0.57	0.64	1.00	1.81	2.16	3.90	4.23
Austria	0.28	0.28	0.46	1.00	1.42	1.75	1.98	2.17
Canada	0.43	0.61	0.65	1.00	2.45	2.44	4.97	7.54
Germany	0.48	0.43	0.58	1.00	1.52	1.80	2.11	2.48
Japan	0.44	0.22	0.43	1.00	1.70	2.20	2.76	3.53
Norway	0.57	0.34	0.52	1.00	1.70	2.21	2.69	3.41
Spain	0.57	0.39	0.48	1.00	1.50	1.50	1.96	1.99
Sweden	0.43	0.43	0.63	1.00	1.50	1.50	1.96	1.99
United Kingdom	1.08	0.65	0.76	1.00	2.07	2.07	3.67	4.65
<b>United States</b>	<b>0.88</b>	<b>0.82</b>	<b>0.77</b>	<b>1.00</b>	<b>5.01</b>	<b>5.02</b>	<b>8.52</b>	<b>11.53</b>
Note: Numbers rounded								
1/ Ratio of average spending on individuals in each age group relative to an individual age 50-64								
Source: Laurence Kotikoff and Christian Hagist, "Who's Going Broke?" National Bureau of Economic Research, Working Paper No. 11833, December 2005, p25.								

# U.S. Health Care Cost Drivers

- Administrative Costs
  - Contributes 18-30 percent of total spending
  - Multiple of health insurance plans and government programs with different eligibility requirements and different covered services
  
- Seven factors for overutilization
  - Culture of health care delivery
  - Payment based on a fee for each service
  - Direct marketing to physicians
  - Medical malpractice and defensive medicine
  - U.S. patients prefer high technology
  - Direct-to-consumer marketing
  - Cost not part health care decision

# U.S. Health Care Cost Drivers

- Region differences - -research suggests that when patients are faced with a choice of treatments for a condition, local medical practice patterns tend to determine which procedures are used more often.

Medicare Reimbursements Per Enrollee			
<i>2006 Medicare Reimbursement by State</i>			
Select States	1992	2006	Annual Growth
<b>Oregon</b>	<b>\$3,984</b>	<b>\$6,122</b>	<b>3.12%</b>
Alaska	\$5,267	\$7,700	2.75%
Washington	\$4,623	\$7,110	3.12%
California	\$5,956	\$8,899	2.91%
Haw aii	\$4,237	\$5,311	1.63%
Florida	\$5,835	\$9,379	3.45%
Louisiana	\$5,711	\$9,401	3.62%
New York	\$5,657	\$9,564	3.82%
Texas	\$5,052	\$9,361	4.50%
<b>United States</b>	<b>\$5,110</b>	<b>\$8,304</b>	<b>3.53%</b>
Source: The Dartmouth Atlas of Health Care			

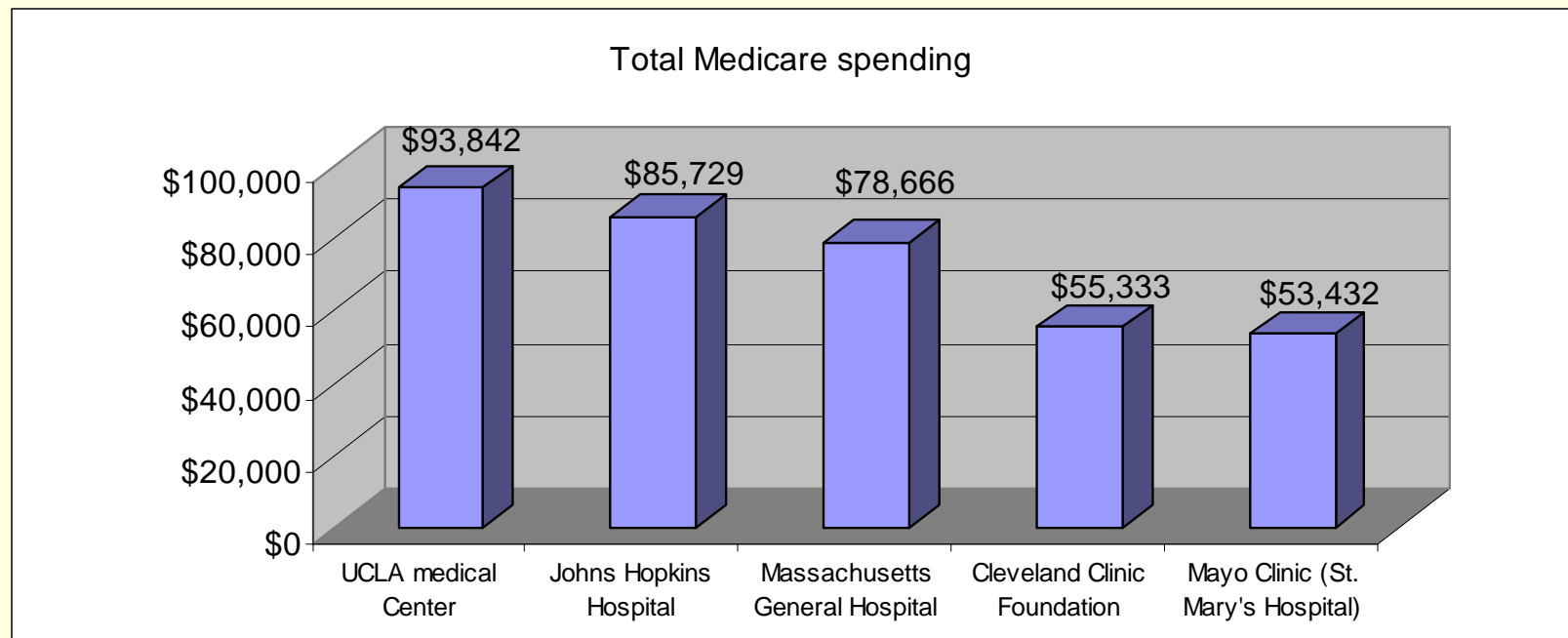
# U.S. Health Care Cost Drivers

- The New Yorker: The Cost Conundrum June 2009
  - Compared health care spending in two Texas border communities with same demographics
    - Average annual Medicare spending (2006)
      - McAllen, Texas - \$15,000 — spending was almost exactly the national average in 1992
      - El Pasco, Texas - \$7,500 — close to national average
    - What happened in McAllen
      - Profit center health care became the norm
        - More diagnostic testing, more hospital treatment, more surgery, more home care with no measurable improvement in health care

# U.S. Health Care Cost Drivers

- Dartmouth Institute Study: How America's Best Hospitals Manage Chronic Illness

Medicare Spending per patient during last two years of Life



# U.S. Health Care Cost Drivers

- Finding from Dartmouth Study
  - Regional differences in severity of chronic illness accounts for about 4 percent of Medicare cost variation
  - Strong association with the supply of medical services and the usage of medical services for discretionary medical conditions
  - Higher spending and greater use medical services is not associated with better care or better health outcomes. In fact, it is slightly worse.
  - Lack of firm scientific evidence to guide clinical decision translates to more regional variation
  - Better utilization of physician and nurse workforce in hospitals might help resolve the national shortage

# Health Reform

- Common elements for health care reform
  - Provide core health care to everyone
  - Change the health care business
    - Treat based on comparative effectiveness research
    - Pay for quality and outcomes (value-based purchasing)
    - Require patient centered care – integrated delivery system with multispecialty teams
    - Require consumers to pay a higher portion of care cost
  - Simplify the insurance business –reduce admin. costs

# Oregon Health Reform

- Oregon plan (House Bill 2009)
  - Provide core health care to everyone
    - Expand coverage to 80,000 children
    - Expand coverage to adults
    - Develop plan to cover all Oregonians
  - Change the health care business
    - Use electronic health records and data exchange
    - Require hospitals to provide information about capital projects
    - Create a uniform health plan for state, school district, city and county employees (cover 800,000 persons in Oregon – 20%) [tiered system??]
    - Create a database to compare costs and assess care effectiveness
    - Develop and use health care guidelines for treatment, procedures and services
    - Develop voluntary registry for Physician Orders for Life-Sustaining Treatment
    - Establish health centers that provide team-based care – chronic disease management
    - Coordinate recruiting and education of health care professionals
  - Simplify the insurance business –reduce admin. costs
    - Create uniform standard for verifying eligibility, processing and paying claims, plus more
    - Effective April 2010, insurers to provide detailed information about administrative expenses
    - Insurance exchange to provide menu of health plans and cost

# National Legislation

- Require everyone to have health insurance with exceptions
- Require most employers to contribute toward the cost
- Create a marketplace for individuals to shop for health insurance
- Create a new government insurance plan – House only
- Provide tax credits for low and middle income families
- Provide tax credits for small businesses
- Expand Medicaid
- Require insurance plans to offer minimum coverage
- Prohibit insurers from denying coverage or charging higher premiums
- Prohibit use of federal money for abortions with exceptions
- Limit access for health insurance to illegal immigrants
- Impose new fees and taxes. Curb Medicare payments
  - House cost 1.052 trillion; reduces expected deficit by \$139 billion over 10 years.
  - Senate cost \$871 trillion, reduces expected deficit by \$132 billion over 10 years.