The US Healthcare System

Objectives:

Access, Quality, and Cost Containment

How we spend $3,500,000,000,000 on healthcare (2018)

32% hospital care

19% medical care

10% pharmaceuticals

8% nursing homes and home health

15% other personal care

16% other (e.g. gov. adm., public health, subsidies)

18% of GDP in 2017; it was 6.9% in 1970

	Life expectancy (2017)	per capita expenditures (2014)	
Japan	85.3	$4,519	
Switzerland	82.6	7,919	
Italy	82.3	3,391	
Australia	82.3	4,708	
France	81.9	4,600	
Canada	81.9	4,753	
Norway	81.9	6,647	
Spain	81.8	3,248	
Netherlands	81.4	5,385	
Ireland	80.9	5,528	
Germany	80.8	4,192	
UK	80.8	5,551	
Greece	80.7	2,223	
United States	**80.0**	**9,892**	**($10,739 in 2017)**
Mexico	76.1	1,080	
Lithuania	75.0	1,970	
Latvia	74.7	1,466	

Access: Health Insurance

Employer-based	49 %
Medicaid	19
Medicare	14
Direct Purchase	7
Other Public	2
Uninsured	9 (12% in 2018)

2016

Private Health Insurance Origins

BC-BS

Kaiser Permanente

Coverage 1940 = 40%; 1950 = 50%

Cost of employer-based coverage in 2018

1 person - $6,896 family - $19,616

State Health Insurance Markets

Individual mandate – no penalty for not buying as of 2019

Cost-sharing subsidy for everyone earning 100 to 250% poverty based on silver plan; government funding ended in 2017 but subsidy still in effect

Tax-credit subsidy for everyone earning 100 to 400% of poverty

100% poverty (2019)	400% poverty
1 individual = $12,140	1 individual = $48,500
Family of 4 = $25,750	family of 4 = $100,400

Public Insurance: Medicare

and introduction of private insurance

Part A – hospital coverage legislated in 1965

Part B – medical services coverage - 1965

Part C – Medicare Advantage – 1997 (private)

Part D – drug coverage – 2006 (private)

Public Insurance: Medicaid

Legislated in 1965 – original plan

up to state to decide percentage of poverty to qualify

only pregnant women and small children eligible

Federal government picks up 50 % or more

Poverty guidelines 2018 but states set eligibility threshold

1 person	$12,140
4 persons	$25,000

Public Insurance: Medicaid

36 states have extended Medicaid under ACA
    Everyone under 138% of poverty eligible in those states through state Exchanges

1 in 5 U.S. population enrolled

Public Insurance: Medicaid

	Enrollees	Expenditures
Elderly	9%	21%
Disabled	14%	40%
Adults	34%	19%
Children	43%	19%

Federal Health Insurance Spending

Direct outlays:

Medicare	$583 billion
Medicaid and CHIP	$399 billion
VA	$ 70 billion
ACA subsidies	$ 6 billion

Tax forgiveness: $225 billion

Federal Tax Forgiveness

Exclusion of employer contribution = $146 billion

Tax credits for marketplace insurance = $ 49 bil

Deductions by individuals, tax credit for small businesses, deductions by self-employed, etc. = $30 bil

Access and Cost Containment:

how to cut costs?

Insurance Coverage in 2018: 88% of population

Total expenditures per person: $10,739

Top 5% of healthcare users account for about 50% of total

Medicaid work requirement option; or Indiana plan

Factors to Consider: balancing access, cost containment and quality

1) Determinants of health – changes over time

2) Implications for labor force participation

Determinants of Health
what is responsible for decline in mortality?

- 1930-1950: sanitary conditions, unsafe work settings, unhealthy environmental conditions
- 1950-1970: clinical care, decline in heart disease
- 1970-1990: preventable deaths due to behavior, smoking, diet, exercise
- 1990 – present: social determinants of health, income inequality, education, social connectedness

Percentage of Labor Force in Healthcare

in 1958 – 3%
in 1968 – 8%
in 2008 – 11.8%

in some urban areas – 25%

Goods producing sector losing workers
Service sector flat or losing workers;
major exception is health care
(minor growth in professional and business services)

BLS

Medicare-for-all/Single payer

Analysis of Senate Bill 1804

19% drop in overall costs of health care – four arenas: administrative costs, pharmaceutical prices, establishing uniform rates, and reduction in fraud. (see PERI@umass.edu)

House Bill HR 676

Introduces global budgets and requires all for-profit hospitals and clinics to be purchased by the government through a bond issue

Other options: Medicare buy-in and Medicaid-buy-in