

# COLLABORATION HEALTH CARE

BRINGING IDEAS, BUSINESSES, AND PEOPLE TOGETHER  
TO IMPROVE THE HEALTH CARE EXPERIENCE



Collaboration Health Care, Inc., 601 Carlson Parkway, Suite 1050; Minnetonka, Minnesota 55305  
[www.collaborationhealthcare.com](http://www.collaborationhealthcare.com); [info@collaborationhealthcare.com](mailto:info@collaborationhealthcare.com) 952-475-6322

## Health Care Around The World- A Primer

A few weeks ago we were engaged in a discussion with a group of people explaining why prescription drugs traditionally cost more in the United States than in Canada. When we started to talk about the different approaches other countries use for health care delivery we were met with the “socialized medicine” argument. Anything used outside our borders immediately became socialized medicine. We were surprised with how uninformed this group really was about the different systems that are in place and what may actually be working in other countries. We were equally surprised with how willing the group was to immediately dismiss the discussion of any other approach as socialized medicine and simply un-American. The discussion brought back memories of the Town Hall Meetings we had during the reform debate we experienced last year.

Our country spends more per person on health care than any other country in the world. We absolutely have the best health care, but we do not have the best methods of financing and delivering that care. The health care costs we are experiencing (and will continue to experience) are now impacting our federal deficit and will become a larger factor in the economic picture of our country in the years ahead. Health care is now an economic as well as a social issue.

The health care reform legislation passed earlier in the year may help in some respects, but many question whether it will have the impact that will be required for economic stability in the future. We must simply control the costs some way or we may well be asked to make even tougher decisions than were made with this last go-around in the not so very distant future.

It may be a good idea for all of us to remain aware of some of the basic facts concerning other approaches used for health care delivery across the globe so when/if the time comes to make even tougher decisions, the decisions we make as individuals are based on reality, and not simply emotional and reflecting the most effective talking points of politics or special interests.

Here's a little Primer

## Everything Else Is Not Necessarily “Socialized Medicine”

One of the best resources we found candidly explaining the differences in the health care delivery structures around the world (in terms we can all understand) was T.R. Reid's book, *“The Healing of America; A Global Quest for Better, Cheaper, and Fairer Health Care.”* Reid is a longtime correspondent/journalist who traveled the globe exploring the health care systems in other countries. He looked at these systems from a “consumer” point of view. While exploring their structures through interviews and research, he also accessed the systems to see how they worked in an attempt to find a remedy for his aching shoulder. His quest was both personal and professional. As you might imagine, he received an array of treatment recommendations along the way.

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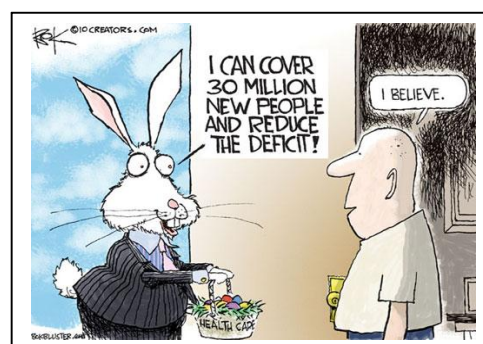
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### Health Care Trivia Annual Cost of Health Care Across the Globe 2009 Data

The following is a more complete list of the annual health care costs per person across the globe as well as the “model” used for health care delivery.

<u>Country</u>	<u>Cost</u>	<u>Model</u>
United States	\$7,290	Mixed Model
Switzerland	\$4,417	Bismark
Canada	\$3,895	Natl. Health
France	\$3,601	Bismark
Sweden	\$3,323	Beveridge
United Kingdom	\$2,992	Beveridge
Spain	\$2,671	Beveridge
Japan	\$2,581	Bismark



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**“Socialized Medicine” (con’t)**

Reid was candid in recognizing both the pros and the cons of the health care systems he was studying. We definitely recommend reading the book to provide more detail than we will provide here.

While using a variety of different approaches across the globe, Reid found all other health care systems were less expensive and most operated much more efficiently than what has evolved in the United States. As would be expected, all of the systems were structured around the country’s response to the fundamental question of whether access to health care is a right or a privilege of its citizens. Most of the other developed countries have determined that health care is a right. The United States has not come to the same conclusion- thus, the fundamental approach and structure is going to be different.

The Organization for Economic Co-Operation and Development determined that in 2009 the United States spent \$7290 per person for health care. This compares to \$3895 in Canada, \$3601 in France, \$2992 in Great Britain, and \$2581 in Japan.

The “talking points” would dictate that these cost differences are due to rationing care, long waiting lines, and limiting or eliminating a patient’s choice of providers. They would also contend that these cost differences are the result of a government takeover of health care and dictates every aspect of care delivery.

Reid found this is not necessarily the case. There is certainly more central coordination than the fragmented approach we use in the United States. But he also found the lower-cost delivery models in other countries usually produced good quality measures for patients and combined both public and private approaches to reach the right balance between the two. He found the administrative/billing requirements of providers and patients were virtually eliminated because of a coordinated payment structure (using technology). Bankruptcy of citizens due to medical expenses was non-existent. And, he found that one of the most important keys to controlling costs was by developing payment, benefit, and fee structures through the negotiating power of a single entity- and the single entity is usually the government on behalf of its citizens.

Reid segmented the health care systems he explored into 4 basic models:

**The Bismark Model** (Germany, Japan, France, Belgium Switzerland, and Latin America): This model is very similar to the employer-based system we have in the U.S. Both the health care providers and payers are private entities and the model is financed jointly by employers and employees. A big difference, however, is that they must cover everybody and the plans provided are non-profit. Additionally, there is tight regulation of medical services and fees through a central entity providing a significant ability to control costs.

**The Beveridge Model** (Great Britain, Italy, Spain, Hong Kong, Cuba, United States Veterans Administration): This would be the system most describe as “socialized medicine.” Health care is provided and financed by the government through tax payments. Medical treatment is viewed as a public service as opposed to an economic transaction. Payment decisions and fees are centralized.

**National Health Insurance Model** (Canada, Taiwan, South Korea, Medicare in the US): In the NHI model the providers of care are private, but the payer is a government-run insurance program that every citizen pays into. NHI countries have significant power to negotiate prices, can limit the medical services they will pay for, or make patients wait to be treated. (Yes, the waiting lines in Canada are unbelievable)

**Out-of-Pocket Model** (Africa, India, China, South America, other undeveloped countries): In this model the concept is pretty simple, the rich, the military, and sometimes other government employees receive medical care, everybody else stays sick or dies.

Each model has its drawbacks. In Japan the fee schedules used for provider payment are exceedingly low. The wait times in the “queue” that are tolerated by the Canadians and British as a way of life would not be acceptable in the United States. Benefit and payment decisions are much more centralized in most other models. The Out-of-Pocket Model basically says you are on your own- good luck.

But, each model also has their positives as well:

All cost less than we are paying in the United States.

All are much more efficient by organizing and coordinating delivery and payment differently than we do here. A May, 2009 study published in Health Affairs estimated a physician practice spends approximately \$70,000 per year interacting with health care payers in the United States (health plans, government, TPAs, etc) adding over \$23 billion each year to our health care tab. The other models have eliminated this cost through the coordinated payment structure they employ and the technology they utilize.

The quality indicators achieved are comparable to what we achieve in the United States

Over the years the United States has simply decided to approach health care from a different perspective. We have essentially established separate systems for separate classes of citizens and rely heavily on the “for profit” sector for delivery. Our approach is expensive. And, even though the health care reform initiatives are beginning to be implemented, the United States has still not come to a consensus as to whether health care is a “right” of its citizens. It is getting closer to saying so by designing approaches to improve access but, as T.R.Reid found, the countries that defined health care as a right, took entirely different approaches to health care delivery and the costs associated with it. The health care system used reflects the fundamental beliefs of the country.

Reid quotes American economist Tsung-Mei Cheng who formulated his own Universal Laws of Health Care Systems:

1. “No matter how good the health care in a particular country, people will complain about it.”
2. “No matter how much money is spent on health care, the doctors and hospitals will argue that it is not enough.”
3. The last reform always failed.”

Failure is not an option for America’s health care system. There is too much riding on it. And, when we begin talking about the next steps we will need to take to address the cost challenges that will inevitably occur, we should be familiar with the good, the bad, and the ugly of the other models that are out there as we consider new ideas and not simply dismiss them as “socialized medicine.”

The next round of decisions we will need to make are going to be tougher than the last, and we’re going to need to be open and informed of all options.

**Sources:** The Healing of America; T.R. Reid; Penguin Press; 2009  
Organization for Economic Co-Operation and Development; OECD Health Data; 2009  
Health Affairs, May 2009;

**Something To Think About**

*Your vision will become clear only when you can look into your own heart. . . Who looks outside, dreams, who looks inside, awakes.”*

Carl Jung

Continued Next Column