Models of Health Care Systems

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We have a big job ahead of us

- Consider- health care is the biggest single industry in the United States.
- Bigger than defense, than any private multi-national company
- TWO TRLLION DOLLARS A YEAR
- Safe to say HC is biggest industry in most “developed” countries.
- And I have to explain it to you in 2 credit hours.
- We will look at the US, then other countries, and then show how the US system leads to certain differences from HC elsewhere, and how other countries health care systems may influence HC reform here.
- Then I’ll suggest the opportunities for Pharmacy in all this.
First and foremost, WHAT IS HEALTH?

• This is one of the Koans (remember koans?)
• I think we can all do a reasonable job of saying that person is sick.
• How do we know when they are well?
• The WHO defines health as “"a state of complete physical, mental and social well-being“”
• Really? Know anyone like that?
Health vs Sickness

• We don’t do a very good job of defining health.
• What the HC system in many countries does is something entirely different.
• The HC system exists to define sickness, illness, disease, and then treat them.
• We shall discuss this further in a later lecture.
• But for now, consider- the more who are sick, the more power the HC system has.
What is a Health Care System?

• HC differs from some other systems in that it is always an open, adaptive system.

• HC care systems can and will change and adapt, with or without purposeful attempts to do so.

• From reading: “an arrangement of parts and their interconnections for the purpose of managing people’s health”.
Functions of a Health Care System

- HC systems have four general functions; how these are achieved differ dramatically from one system to the next, and this variance illustrates the complexity of the task we face.
  - 1) Stewardship (overall system oversight)
  - 2) Public and private health service provision
  - 3) Health service inputs (managing resources)
  - 4) Health system financing

- See RR; AnnexL
Stewardship

- can be thought of as the management of the system. Chaos would be its opposite.
- Forethought, analysis, planning and development of people, places, and means for providing health care
- Consideration of societal norms is an important aspect of this function.
- HC systems must reflect the expectations and values of the population. When that is not true, support for, and satisfaction with, the nation’s HC system becomes problematic.
- Planning includes a distinct emphasis on thinking for the long-term. How many primary care providers will be needed in 20 years? What are we doing NOW to meet that demand?
- Inherently, inescapably, political in nature
Provision

• This is what we naively tend to think of as the HC system.
• This is the actual provision of health care services
• This is the people of the health care team doing their jobs (verb).
• Includes public services (clean water, vaccination, quarantine, state institutions like Logansport, anti-smoking commercials, etc.)
• and private services (you, seeing your MD, mid-wife, dentist, podiatrist, etc.)
• Sometimes, line between public and private is indistinct.
Inputs

• The making of allowances for the appropriate inputs into the system.
• At some level, in a system, things don’t just happen- they are anticipated and planned for. Looking ahead
• YOU represent part of the process of deciding upon and taking steps to ensure adequate HC system inputs- the infrastructure of health care-the buildings, the people (noun), the diagnostic equipment, the inventories of gurneys, gauze pads, MRI machines, heart valves, drugs and delivery systems.
• Then budgets can be written, priorities set, steps taken to meet anticipated demand.
• (OBRA90 story)
Financing

• There are as many ways to pay for HC systems as there are systems themselves.

• Each mix of financial alternatives involves trade-offs, benefits, and shortcomings. Each emphasizes some values over others.

• How well financing reflects societal values directly determines the level of acceptance enjoyed by the HC system at home.

• Close relationship exists between Inputs and Finance.

• Finance may tell us how many inputs we have to work with, or force us to make sub-optimal choices—maybe not the BEST drug, but the less expensive choice.

• Or Inputs may tell us how much finance we will HAVE to provide, one way or another.
Major Functions of Financing

- **Revenue collection** – getting money. Taxes, payroll, premiums (based on risk), etc.
- **Risk pooling** – everyone throws some money in the pot, and only those who need the money get it when the time comes.
- note: risk pooling works when everyone faces same odds of sickness. What happens when behavior increases or decreases odds?
- **Strategic purchasing** - using market and regulatory power to keep costs down.
Health Care Systems reflect characteristics of Nation-States

- Each country has a HC system that reflects that countries' values and history, politics and economics.
- In Canada, everyone waits. But everyone waits about the same length of time. It’s a Canadian thing.
- In England, no one pays a cent at the point of care. It’s a Labour thing.
- English babies are born at home- Japanese babies are born in the hospital and stay there 10 days or more. US babies (& mom) are thrown from the trailer as it goes by……
- In Finland, each expectant mother, no matter her SEC, receives a “baby box” from government with a first set of clothes, blankets, diapers, formula, and the sturdy box that holds it all is specially designed to serve as a bassinet- a family heirloom, and a common, shared societal experience for all.
The United States- (think, pair, share x 10)

• What do you think the United States’ values are, when it comes to HC?
• 1) Is HC a RIGHT? Is HC a COMMODITY?
• 2) Should everyone receive the same level of care, no matter what? If not, how should the level of care be determined?
• 3) Is there any group(s) that does NOT deserve to receive care? Is there any group that deserves to receive better care than the rest?
• 4) If you had to describe Canada’s HC system in one word, it might be “fair”.
• What ONE WORD describes the U.S. HC system?
Discussion

• Each group talks for 10 minutes amongst themselves.
• Select a spokesperson
• The spokespeople shall stand up and share their groups consensus (or lack thereof) with all
• Rational discourse shall degenerate into screaming, shouting, physical altercations, and eventually severe bodily harm…… (with any luck)
Luckily, there are some general patterns of HC systems.

- In some models, government is both provider and payer for care
- In some, MDs and hospitals are in the private sector, and government pays the bills.
- Some countries have both providers and payers private.
- And ALL have different sources for the funds needed.
- Five basic models are recognized
The Bismarck Model

• The first, most pervasive model- seen in Germany, Japan, France, Belgium, Switzerland, and some of Latin America.

• Created by Otto Von Bismarck, the Iron Chancellor of Germany, while inventing the welfare state in the late 1800’s.

• Essentially, you invest in your people’s HC to make your country more economically capable, (and hence) more powerful than your competitor nations..
BISMARCK (cont)

- A healthy population is a productive population, and a productive population makes for a strong economy, and a strong economy makes for a strong country.
- In Bismarck countries, insurances companies (payers) are usually private entities.
- Providers (MD’s and many hospitals) are private businesses.
Health Insurance in the Bismarck Model

• As is common in the US, in the Bismarck model, private insurance plans are financed by employers and employees through payroll deduction.

• HOWEVER, the 200+ insurance plans in Germany are basically not for profit charities- they cover everyone, and can NOT (by law) make a profit. (I think executive salary is controlled as well- wish I had a reading on that)

• The government closely controls which medical services (procedures & drugs) are allowed and the prices that can be charged for each procedure, to keep costs down.
The Beveridge Model

• Named for William Beveridge, a social reformer who played the key role in the development of the United Kingdom’s National Health Service.

• Here, HC is paid for and provided by the government, through tax payments collected from people and companies.

• There are no medical bills- HC is a public service, like the fire department.
Beveridge Characteristics

- Most (sometimes ALL) hospitals are owned by the government.
- Most MDs are government employees; but there are a few private MDs who collect fees from the government.
- Tend to have low per-capita expenses, because government controls what can be done and what can be charged for it.
- Britain, Italy, Spain, most Scandinavian countries, and Hong Kong
- Purest examples are found in Western Hemisphere- Cuba- and the U.S. Department of Veteran Affairs-
- In both, all MDs are employees working in government owned facilities, and pts. receive no bills.
- The US VA system has some of the lowest per capita costs of ANY HC system in the world when corrected for purchasing power.
The National Health Insurance Model

• Classic example is Canada; (Taiwan, South Korea, others).
• Providers are private, but the payer is a government-run insurance program that every citizen pays into.
• National (or provincial) health insurance plan collects monthly premiums from all individuals, and pays all medical bills.
• No marketing, no claims or clients denied, prices for procedures (and which procedures are covered) are negotiated between provider organizations and government, low administrative costs. HC insurance (again) is by law non-profit.
• As the single insurance plan, the government has great power to negotiate lower prices, and restrict services offered, and can force patients to wait. Anecdotal reports of legs having to be re-broken.
The Out of Pocket Model

- There are approximately 200 nations in the world, of which about 40 have a “true”, developed HC system.
- The rest tend to be too poor and too disorganized for a HC system- often, best medical care is in armed forces. What kind of social impact do you think THAT has?
- Rules are simple & harsh. The rich & powerful get care. The poor stay sick, or they die. What care provided is paid out of pocket.(OOP)
- 100’s of millions of people never see a MD in their entire lives; at best, a traditional healer.
- OOP is 91% in Cambodia, 85% in India, 73% in Egypt.
The United States

• Some analysts consider the U.S. to be an Out Of Pocket (OOP) Model Country.

• I see the U.S. as perhaps a cafeteria plan model, or, even more appropriately, as a health care ECOLOGY model.

• Let’s consider:
The variants

• For workers under 65, the US is a Bismarck model. Employer and employee share the cost of premiums, insurer then picks up most of cost, with employee paying co-pay or co-insurance. But insurance can (and most assuredly does) make a profit, and charges are argued between providers and insurers.

• For Native Americans, active military, or veterans, we have a Beveridge model, with essentially no costs and set charges.

• For those over 65, we’ve got a NHI system- Medicare- but providers can charge as much as they want. What they get paid is up for debate- often lengthy debate.

• And for those still uninsured, or, “UNDERINSURED” we’re an OOP poor nation

• One from Colum A, 2 from Column B- the “Cafeteria Plan”
And yet--

• We are different than any other country
• We maintain so many different systems for so many different classes of people that it is actually amazing that HC isn’t even more expensive than it is.
• Most all other countries use one model for all, and allow the 1% to purchase whatever they want, making their system simpler, cheaper, and… fairer?
• U.S. HC is appalling in how huge the differences in quality are, depending on who you are- or the variation in price for the exact same procedure of comparable quality, across the country, the state, or even a single city.
• And US is unique in its absolute dependence on FOR-PROFIT, PRIVATE INSURANCE to pay the bills for top-end patients- the poor (Medicaid) and elderly (Medicare) get governmental insurance. You tell me- is the quality =?.
• Consider—providers make more the sicker you are- as opposed, say, to keeping you well.
• And insurers could charge you more if you were sick, or refuse to cover you (Pre-PPACA) Maybe. It still goes on, or so I hear.
Health Care System

• We’ve discussed how hard it is to define what “health” is.
• What we are good at, is defining NOT healthy- and trying to correct that- AND inventing new diseases along the way.
• One reason our culture (The US) emphasizes “sick” is that “being sick” is what allows you to be freed from your social role responsibilities- worker, student, family. We’ll discuss later.
• But for now, just recognize that because of this ability to free people from responsibilities, the decider- the MD- has (or had) great power.
• Consider the horrific burden of “Afluenza*”.

* a psychological malaise supposedly affecting wealthy young people, symptoms of which include a lack of motivation, feelings of guilt, and a sense of isolation.
Health Care System

• Of course, once we recognize someone is sick we WILL try to do something.
• This is the “CARE” part- the PROVISION function
• And what was possible has changed over time, vastly increasing the power, income, and status of certain groups.
• The haphazard interweaving pathways of the ability to provide REAL care, save lives, and end suffering & how to pay for it, is ultimately the story of how the unique U.S. H.C. environment was formed.
The Health Care System?

• I’m lecturing about the US health care “system” because there’s no better term.

• But the failure of different aspects of the “system” to communicate and work with other parts is not congruent with how we would define a “system”

• I am much more comfortable thinking about health care in the U.S. as a kind of “ecology”

• (I put that in a editorial 10 yrs ago- now people are analyzing the HCS using ecological models)
The HEALTH CARE ECOLOGY

• When you think of HC as an ecology, then you can also think in terms of evolutionary forces.

• “Profit” is the energy in the system, and various kinds of “lifeforms” (corporations, professions, styles of treatment) are created, become successful, or pass from the scene.

• And, man oh man, it’s a “dog eat dog” world.

• Survival of the fittest. Not the nicest. Not the best care. The fittest. And in a for-profit environment, how do we define fittest?
Survival of the Fittest

- What happens in this ecology?
- Orgs, institutions, professions thrive- or not
- An ecology implies evolutionary pressure
- It also give us a framework for thinking about our profession and the challenges it faces.
- What happens to the losers in evolution?
The Health Care Ecology’s Great Distortions

• The power of providers (eroding now, but got us started)
• The idea of employer-based insurance (which creates all sorts of disparities in care)
• The insulation of patients from the cost of care, because someone else almost always pays for it.
• The simultaneous consideration of HC as being both a right, and a commodity
Ecological Competition

-in a competitive HC ecology, no one wants to provide services to low profit patients-
- those without the means to pay
- those with pre-existing conditions
- those with predictable or emerging “high-cost” conditions (HIV, diabetes, heart disease)
- those with poor genetic markers for the future
AHRQ (Agency for Healthcare Research and Quality)

- Healthcare spending in the United States has remained heavily concentrated in a small portion of the total population, according to the AHRQ.

- In addition, an increasing portion of these individuals remained in the highest-cost groups from one year to the next, according to data from 2002 and 2003.

- 1% of the population accounted for 22% of total healthcare expenditures in 2002. ($166~)

- More than a quarter (25.3%) of those in the top 1 percentile in 2002 remained there in 2003.
Here’s a real problem to think about

- I hate to go Disney on you, but there is such a thing as the “circle of life”
- A conspicuous missing link in the circle of life here in the United States is the end of the circle—DEATH
- Let’s talk just a bit about the end.