

# Healthcare in the U.S.

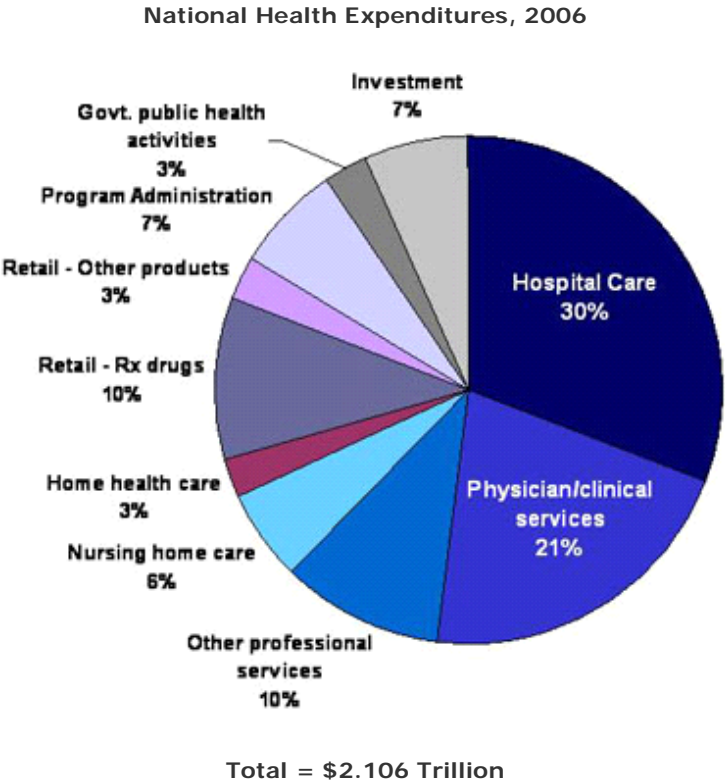
Needham Lyceum  
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# Healthcare accounts for over 16% of the U.S economy over \$2.4 trillion in 2008

## How is the U.S. health care dollar spent?

As shown in the figure below, hospital care accounts for the largest share (30%) of health expenditures. Physician services are the next largest items, comprising one-fifth of the national health spending. Prescription drugs, while accounting for only 10% of total expenditures, has been one of the biggest contributors to the growth in spending.



Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group

Healthcare accounts for about 24 % of the U.S federal budget  
 The highest expense category

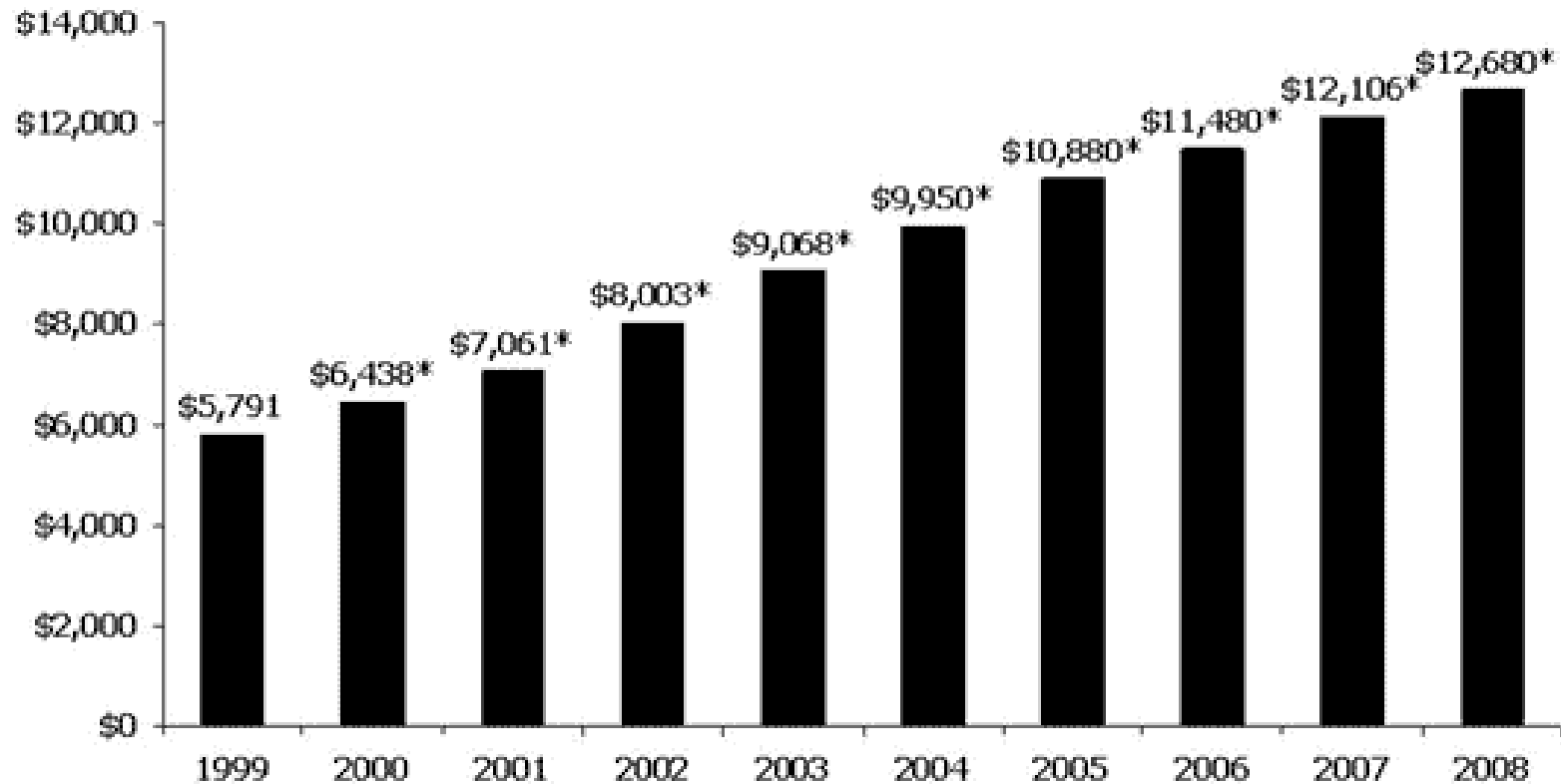
Federal Budget 2007		
	\$billions	%
<b>Medicare, Medicaid and other health related</b>	<b>670.9</b>	<b>24%</b>
Social Security	586.1	21%
Defense	548.8	20%
Unemployment/Welfare	294.0	10%
Interest on debt	243.7	9%
Education and training	89.9	3%
Transportation	76.9	3%
Veteran's Benefits	72.6	3%
Administration of Justice	43.5	2%
Natural resources and environment	33.1	1%
Foreign affairs	32.5	1%
Agriculture	27.0	1%
Community and regional development	26.8	1%
Science and technology	25.0	1%
Energy	20.5	1%
General government	20.1	1%
<b>Total</b>	<b>2811.4</b>	<b>100%</b>

The U.S. spends more on healthcare per capita than any developed nation by far

	<b>Health spending per capita (PPP\$)</b>	<b>Health spending, % of GDP</b>	<b>Public health spending as % of total</b>
<b>Australia</b>	\$3,120	9.6%	67.5%
<b>Austria</b>	\$3,124	9.6%	70.7%
<b>Belgium</b>	\$3,044	10.1%	71.1%
<b>Canada</b>	\$3,165	9.9%	69.8%
<b>France</b>	\$3,159	10.5%	78.4%
<b>Germany</b>	\$3,043	10.6%	76.9%
<b>Italy</b>	\$2,467	8.7%	75.1%
<b>Japan</b>	\$2,249	8.0%	81.5%
<b>Netherlands</b>	\$3,041	9.2%	62.3%
<b>Spain</b>	\$2,094	8.1%	70.9%
<b>Sweden</b>	\$2,825	9.1%	84.9%
<b>Switzerland</b>	\$4,077	11.6%	58.4%
<b>U.K.</b>	\$2,508	8.1%	86.3%
<b>USA</b>	<b>\$6,102</b>	<b>15.3%</b>	<b>44.7%</b>

Notes: All data for the year 2004 except for Japan and Belgium, which are from 2003. Data from the OECD.

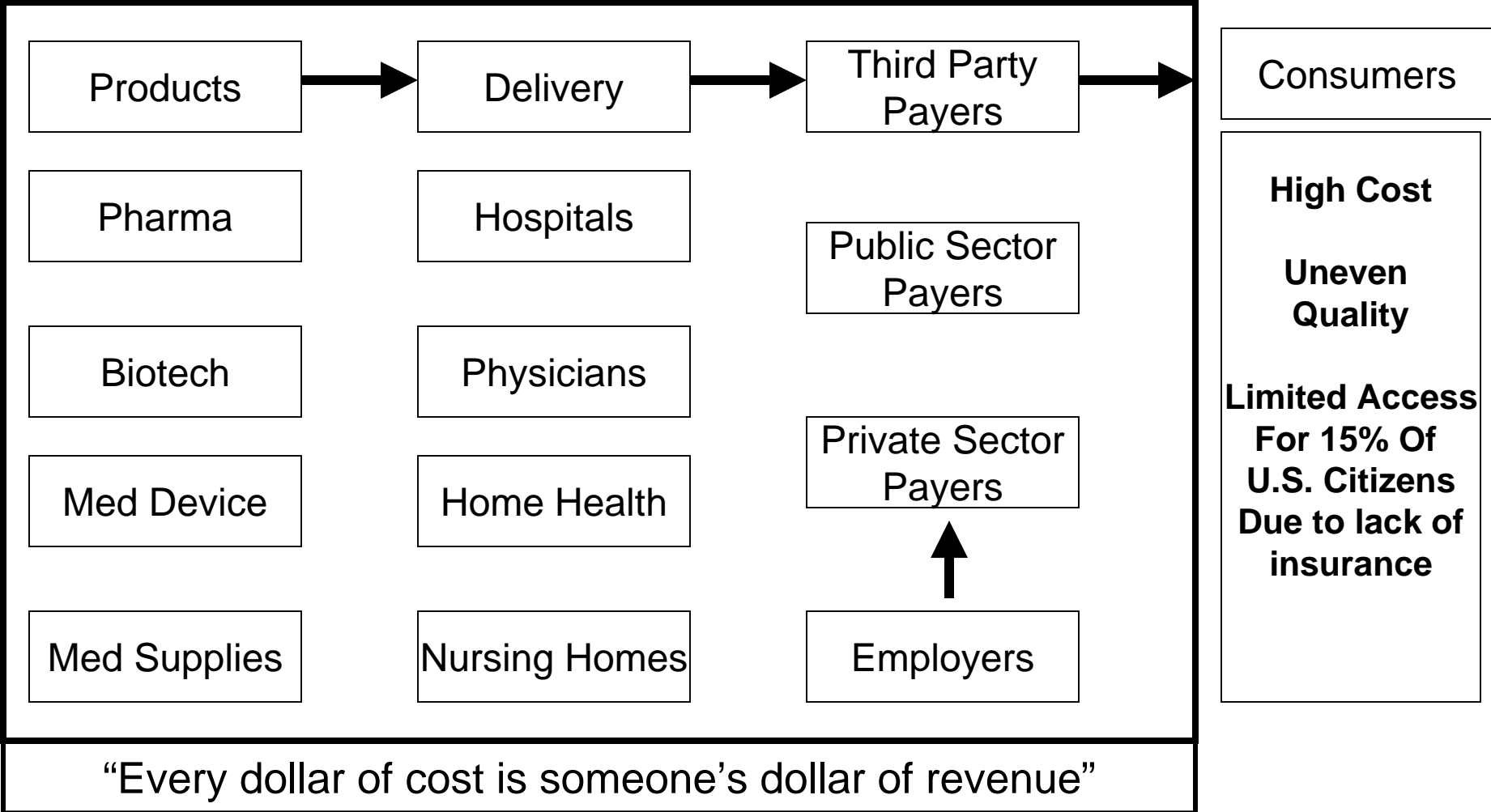
## Average Annual Premiums for Family Coverage, 1999-2008



\* Estimate is statistically different from estimate for the previous year shown ( $p < .05$ ).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2008.

The key goals of the healthcare “system” are high **quality** and easy **access (for all)** at an **affordable** price, but the healthcare “system” is a by product of the healthcare industry



# Key Facts On Healthcare Costs

Source: Kaiser Family Foundation

- ❑ Health spending in the United States is an estimated \$2.4 trillion in 2008, an average of \$7,868 per person
- ❑ The share of the economy (GDP) devoted to national health spending has increased from 7.2% in 1970 to an estimated 16.6% in 2008
- ❑ Eighteen percent of the non-elderly were in families that spent over 10% of their disposable on out-of-pocket health care premiums and cost sharing in 2004.
- ❑ Almost one-in-four respondents in a recent Kaiser Poll reported experiencing a serious problem paying for health care and health insurance as a result of the recent economic turndown

# Assessing the Candidates' Positions

***Senators McCain and Obama have each produced health care proposals that have a number of elements that would affect the cost of health care.***

**Senator McCain's** approach emphasizes the role of consumers by eliminating the income tax exclusion for employer-sponsored coverage and introducing new flat tax credits that provide incentives for consumers to select less comprehensive coverage. He also stresses reduced regulation of insurance markets as a way to lower the cost of health insurance by reducing state insurance requirements.

**Senator Obama** largely builds on the current financing system, but suggests new regulations that would change how insurance is offered to people who buy coverage on their own. He also proposes a reinsurance system to lower premiums and a new public program that would compete with and offer an alternative to plans offered by private insurers.

***Both candidates stress the need for promoting health information technology, preventing and managing chronic disease, and improving the health delivery system.***

## Discussion Points

- Employer based health insurance vs. individual responsibility or government paid single payer – What is the best approach?
- 45 Million Americans are uninsured – What should we do, if anything?
- Primary care vs. Specialty Care – Is there a better way to provide health care services that is affordable, high quality, and available?
- Emphasis on remedial care vs. preventive/wellness care – If this doesn't make sense, why has it gone on for so long?
- The Healthcare Industry vs. the Healthcare System - What are the major drivers of health care costs (and revenues)?
- Where do McCain and Obama stand on reforming healthcare Does it really matter?