



THE U.S. HEALTH CARE SYSTEM IN INTERNATIONAL PERSPECTIVE

Few Public Services Despite the Highest Health Care Taxes

- The United States health system is a hybrid, with 60% of health care publicly-financed, but most care delivered privately.¹ While the U.S. system is often thought of as being privately financed through employers, this is not the case. Private employers cover fewer than half of all Americans—43%—and pay less than one-fifth of total health care spending.² In contrast, about 60% of the U.S. health system is publicly (taxpayer) financed. Taxes fund coverage for more than 20 million government employees, and for more than 70 million persons including the elderly (Medicare), the permanently disabled, the very poor (Medicaid), people with end-stage renal disease, and veterans. In all, 34% of Americans have government-paid insurance. The rest buy their own coverage (7%) or are uninsured (16%). **Despite having the smallest percentage of the population with government assured coverage of any developed nation (34% versus 100% in most developed countries), Americans pay the highest health care taxes in the world.**³
- Among Organisation for Economic Cooperation and Development (OECD) countries, there are three main types of health care programs.⁴
 - < A *National Health Service*, where medical services are delivered via government-salaried physicians, in hospitals and clinics that are publicly owned and operated. The U.K. and Spain are examples of such a system.
 - < A *National Health Insurance System*, or *single-payer* system, in which medical services are publicly financed but not publicly provided. Examples include Canada, Denmark, Norway, and Sweden.
 - < A universal *Multi-payer Health Insurance System*, or *all-payer* system, as in Germany and France. These systems provide universal health insurance via sickness funds, which are used to pay physicians and hospitals at uniform rates. These rates are negotiated annually.

High Prices, High Private Administrative Costs

- **The U.S. spends considerably more on health care than any other OECD country**, averaging \$4,887 per person in 2001, and climbing to \$5,440 in 2002.⁵ Canada spends just 57% that of the U.S., Sweden spends just 46%, and the U.K. spends only 41% as much as the U.S. on health care.⁶
- **The U.S. also spends the highest proportion of Gross Domestic Product (GDP) on health care:** 14.6% in 2002, compared to an OECD median of 8.3%.⁷
- **Americans pay higher prices for healthcare-related services** than citizens of other countries. For instance, the average cost of a one-day hospital stay in the U.S. was \$2,434 in 2002, compared with \$870 in Canada and even less in other OECD countries.⁸ Prices for pharmaceuticals and physician visits are higher as well. Even adjusting for per capita GDP, the supply of healthcare resources, and the added cost of malpractice litigation, a study in *Health Affairs* finds that Americans pay more for the same- or lower-quality care.⁹
- **One primary reason for the high costs of U.S. health care is administrative costs.** Several studies have suggested that a single-payer, universal health insurance system would not necessarily cost more than we already spend—and might even cost less—because of the substantial administrative cost savings.¹⁰ One recent report found that in 1999, 31% of U.S.

health care spending went to administrative costs, an amount equal to \$294.3 billion (\$1,059 per capita). By contrast, Canada spent \$9.4 billion (\$307 per capita) or 16.7% of its total health care spending on administration. The study concludes that, “reducing U.S. administrative costs to Canadian levels would save [...] enough to fund universal coverage.”¹¹

- **Physicians in the U.S. also must spend more of their time on administrative tasks:** 13.5%, compared with 8.4% for Canadian doctors.¹²

Health Insurance: Rising Premiums, Falling Coverage

- **Health insurance premiums in the U.S. are rising fast. Between the spring of 2004 and the spring of 2005, health insurance premiums rose 9.2%**, a slight decrease after four consecutive years of double-digit growth.¹³ Growth rates in insurance premiums remain far greater than both inflation and wage increases (3.5% and 2.7%, respectively).¹⁴
- **In 2004, 45.8 million Americans—15.7%—were uninsured, up from 45 million (15.6%) in 2003**, and 43.5 million (15.2%) in 2002. This is the fourth straight annual increase in the number of people without health insurance.¹⁵
- **In 2004, the number of full-time workers without health insurance rose to 17.8%**, up from 17.5% in 2003, and 16.8% in 2002.¹⁶
- **Uninsured workers are found in every industry:** agriculture, service, wholesale and retail trade, manufacturing, and the public sector each have a sizeable portion of uninsured employees.¹⁷
- **More than three out of five Americans of working age rely on employment-related health insurance for themselves and their families,¹⁸ but the number of jobs providing health coverage is decreasing.** The percentage of firms that provide employees with health benefits has decreased from 69% in 2000 to 60% in 2005.¹⁹ Only 6.6% of people under 65 purchased health insurance on their own in 2002.²⁰
- **Smaller firms are significantly less likely to provide health benefits.** In 2005, while 98% of firms with 200 or more workers offered health insurance, only 59% of firms with up to 199 workers provided benefits. Of firms with less than 10 employees, only 47% offered health benefits. Furthermore, these percentages are all down from 2004 (99%, 63%, and 52%, respectively).²¹
- **Only 23% of all firms offer benefits to part-time workers.** Moreover, firms with a large number of part-time employees, with high employee turnover rates, and with lower overall wage levels, are less likely to offer benefits to any of their employees. **Only 4% of all workplaces offered health insurance to temporary employees.**²²
- **Firms that employ union workers are much more likely to provide health benefits:** 96% of firms with union workers offered benefits, versus 61% of firms without union workers.²³
- **The age group with the highest rate of uninsurance is 18–24 year olds, of whom 31.4% were uninsured in 2004**—the fourth straight annual increase.²⁴ Twenty-five to thirty-four year olds were the second most likely age group to be uninsured: 25.9% were without insurance in 2004.²⁵ Altogether, 19–34 year olds made up 25% of the nonelderly (under 65) population, but constituted 40% of the uninsured.²⁶
- **Racial and ethnic minorities are disproportionately likely to be uninsured:** though they made up only 35% of the nonelderly population in 2004, they comprised over 50% of the uninsured.²⁷
- The Institute of Medicine (IOM) reports that uninsured people receive too little medical care, too late. As a result, **some 18,000 unnecessary deaths each year are attributable to a lack of health insurance coverage.** In 2003, 43% of adults without health insurance did not seek medical help for health problems, compared with 10% who were insured. Uninsured

individuals with diabetes, HIV, cardiovascular disease, and mental illness have been consistently shown to have less access to preventative care and worse clinical outcomes. Uninsured car crash victims have been found to have a mortality rate 37% higher than people with insurance, and uninsured women with breast cancer have a 30-50% higher risk of dying.²⁸

Quality of U.S. Health Care in an International Context

- **The U.S. ranked 37th out of 191 member states in terms of “overall health system performance” in the World Health Organization’s (WHO) 2000 World Health Report.** The rankings were based on measures of the health of the population, the level and distribution of respect and attention shown to patients, and the fairness of financial contribution, all in relation to overall health system expenditures. **A ranking of 37th places the U.S. below such countries as Colombia, Saudi Arabia, and Portugal.**²⁹
- **The U.S. has the seventh highest infant mortality rate of the 30 OECD member countries.** The countries with higher infant mortality than the U.S. are Hungary, South Korea, Mexico, Poland, Turkey, and the Slovak Republic.³⁰
- **The U.S. also has the ninth lowest life expectancy of the OECD member countries.**³¹
- **The U.S. ranks lower than the OECD median in all three categories of physicians, nurses, and hospital beds per capita, despite its high level of spending.**³² Low nurse-to-patient ratios have been linked to higher instances of medical errors and patient complications, including death.³³
- There are **14,000 AIDS-related deaths in the U.S. each year**—more than in Russia, Canada, France, Germany, Italy, and the U.K. *combined.*³⁴
- A recent study in *Health Affairs* compared the quality of care in five countries: the U.S., the U.K., New Zealand, Canada, and Australia.³⁵ No country scored consistently best or worst, and each country had at least one best and one worst rating. The U.S. had the best 5-year survival rate for breast cancer, for instance, but the worst survival rate for kidney transplants, and an increasing rate of mortality among asthmatics.

¹ Woolhandler, S. and Himmelstein, S., Paying for National Health Insurance – and Not Getting It, *Health Affairs*, July/August 2002.

² Carrawquillo, Himmelstein, D., Woolhandler, S. and Bor, A Reappraisal of Private Employers Role in Providing Health Insurance. *New England Journal of Medicine*, January 1999.

³ *Ibid.*

⁴ Physicians for a National Health Program, *International Health Systems*, 2003.

⁵ Reinhart, U., P. Hussey and G. Anderson, “U.S. Health Care Spending in an International Context,” *Health Affairs*, 23 (3): 10, 2004; Levit, K., et al., “Health Spending Rebound Continues in 2002,” *Health Affairs*, 23 (1): 147, 2004.

⁶ Reinhart, U., P. Hussey and G. Anderson, “U.S. Health Care Spending in an International Context,” *Health Affairs*, 23 (3): 10, 2004.

⁷ Anderson, G., P. Hussey, B. Frogner, and H. Waters, “Health Spending in the United States and the Rest of the Industrialized World,” *Health Affairs* 24(4): 903-915, July/August 2005.

⁸ *Ibid.*

⁹ *Ibid.*

¹⁰ Physicians for a National Health Program, *How Much Would a Single Payer System Cost?*, 2004.

¹¹ Woolhandler, S., et al., “Health Care Administration in the United States and Canada: Micromanagement, Macro Costs,” *International Journal of Health Services*, 34 (1): 65, 2004.

¹² *Ibid.*

¹³ Kaiser Family Foundation, *Employer Health Benefits*, 2005.

¹⁴ *Ibid.*

¹⁵ U.S. Department of Commerce, Bureau of the Census, *People With or Without Health Insurance Coverage by Selected Characteristics: 2003 and 2004*, August 2005.

¹⁶ *Ibid.*

¹⁷ Institute of Medicine, “Uninsurance Facts and Figures: Fact Sheet 1,” *Insuring America’s Health: Principles and Recommendations*, January 2004.

¹⁸ Kaiser Family Foundation, *Employer Health Benefits*, 2004.

¹⁹ *Ibid.*

²⁰ Kaiser Family Foundation, *Update on Individual Health Insurance, Revised*, August 2004.

²¹ Kaiser Family Foundation, *Employer Health Benefits*, 2005.

²² *Ibid.*

²³ *Ibid.*

²⁴ U.S. Department of Commerce, Bureau of the Census, *People With or Without Health Insurance Coverage by Selected Characteristics: 2003 and 2004*, August 2005.

²⁵ *Ibid.*

²⁶ Kaiser Family Foundation, Commission on Medicaid and the Uninsured, *Health Insurance Coverage in America: 2004 Data Update*, November 2005.

²⁷ *Ibid.*

²⁸ Institute of Medicine, “Uninsurance Facts and Figures: Fact Sheet 5,” *Insuring America’s Health: Principles and Recommendations*, January 2004.

²⁹ World Health Organization, *World Health Report 2000 – Health Systems: Improving Performance*, 2000.

³⁰ U.S. Department of Commerce, Bureau of the Census, *International Data Base*, 2004, Table 010.

³¹ *Ibid.*

³² *Ibid.*

³³ Aiken, L., et al., “Hospital Staffing and Patient Mortality, Nurse Burnout and Job Dissatisfaction,” *Journal of the American Medical Association*, 228 (16): 1,987, 2002; Institute of Medicine, *Keeping Patients Safe: Transforming the Work Environment of Nurses*, 2003.

³⁴ Central Intelligence Agency, *The World Fact Book*, 2004.

³⁵ Anderson, G., et al., “How Does the Quality of Care Compare in Five Countries?,” *Health Affairs*, 23 (3): 89, 2004.

For further information on professional workers, check out DPE’s Web site: www.dpeaflcio.org.

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