

# **Bismarck, Beveridge and “The Blues”**

**The Paul H. Nitze School of Advanced International Studies**

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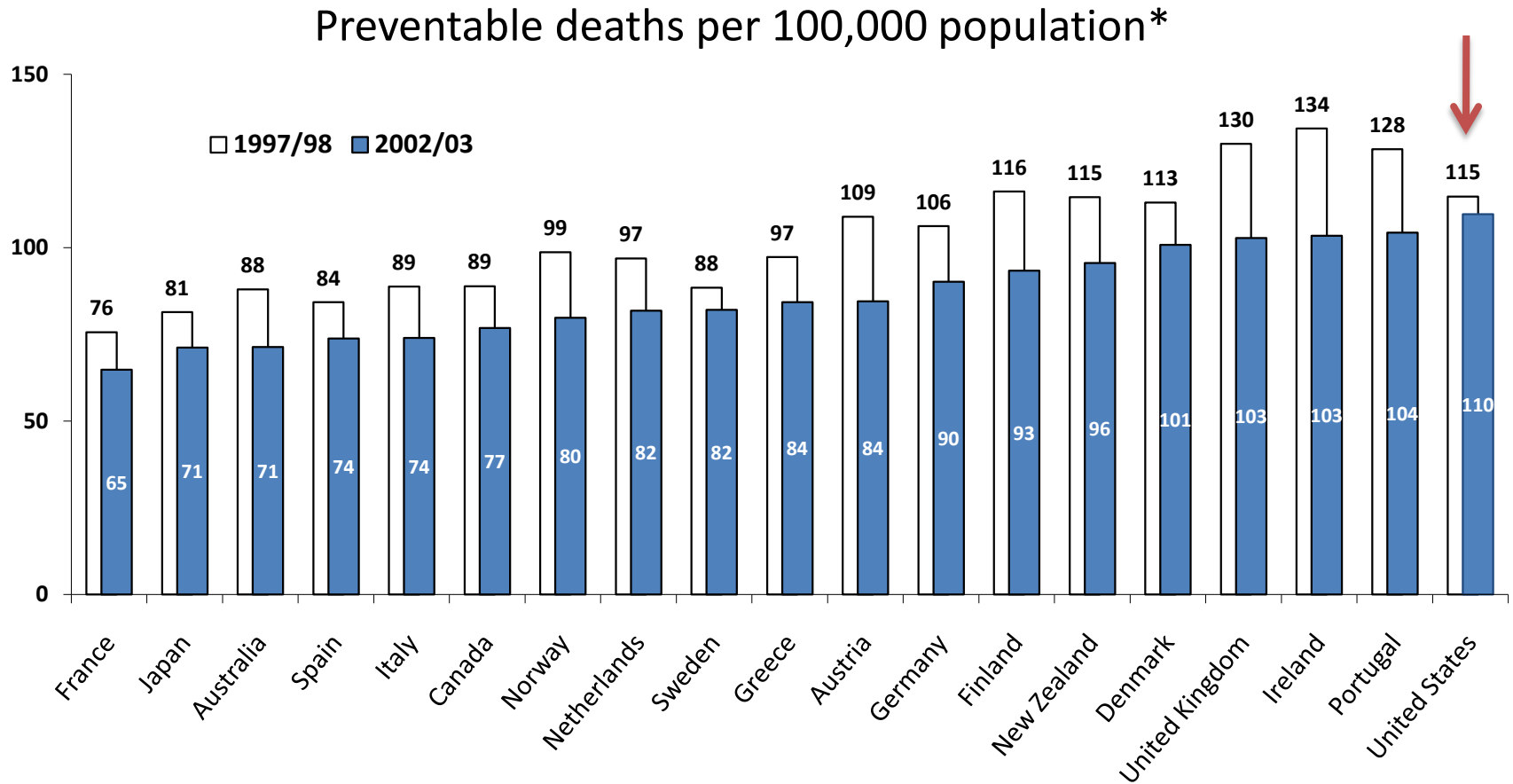
The Johns Hopkins University

# Bi-Polar Public Opinion?

- Since the 1990s, large majorities of Americans have stated that the health care system is broken and needs major reform
- On average, 70% of Americans are pleased with the health care they receive and with their health care plan

# Mortality Amenable to Health Care

A measure of health system performance

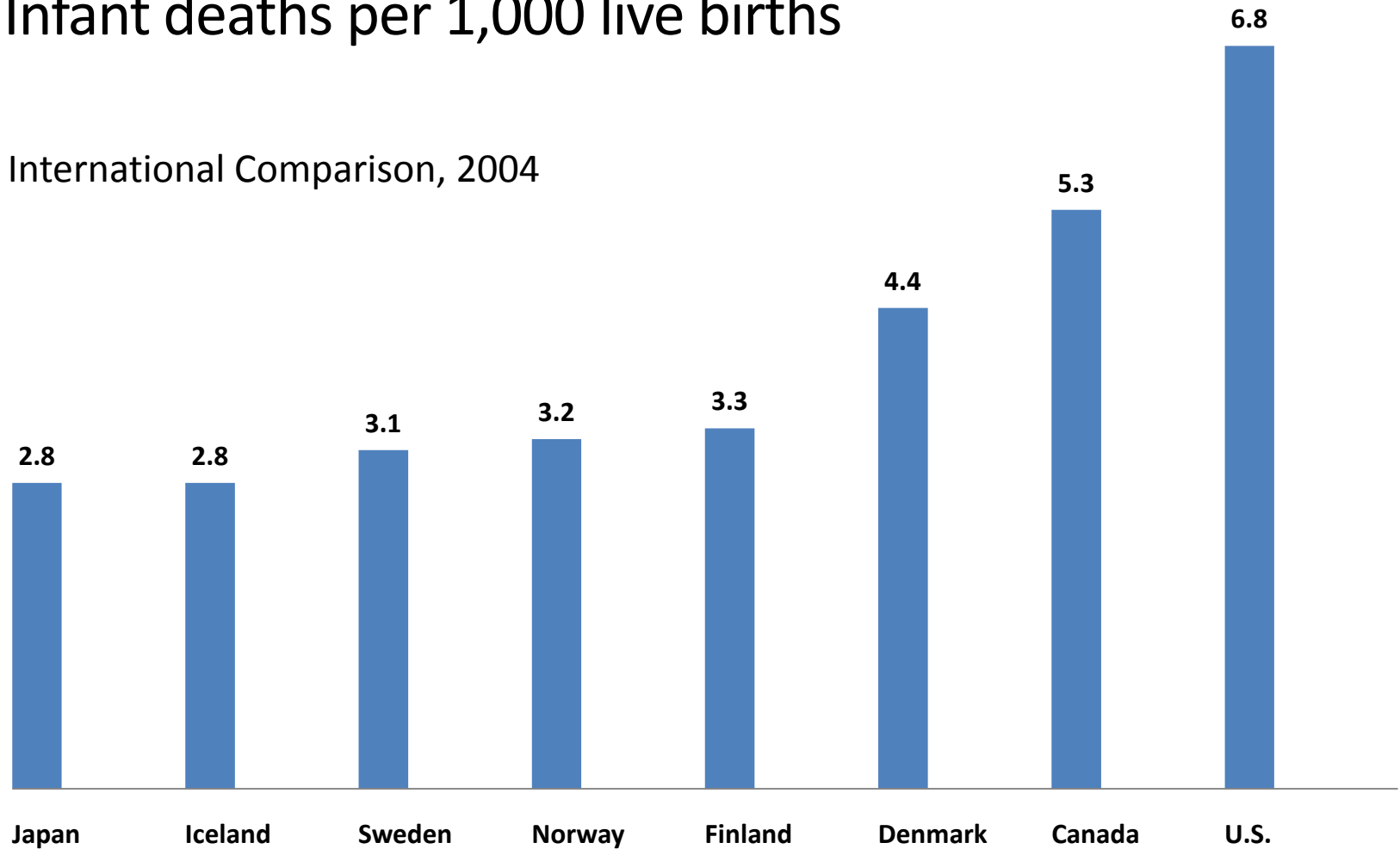


\*Countries' age-standardized death rates before age 75; including ischemic heart disease, diabetes, stroke and bacterial infections  
Data: E. Nolte and C. M. McKee, London School of Hygiene and Tropical Medicine analysis of WHO mortality files (2008)  
Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2008

# Infant Mortality Rates

Infant deaths per 1,000 live births

International Comparison, 2004



# Health Care Rankings by Country

	Best
	Middle
	Worst



AUS



CAN



GER



NETH



NZ



UK



US

	AUS	CAN	GER	NETH	NZ	UK	US
<b>OVERALL RANKING (2010)</b>	3	6	4	1	5	2	7
Quality Care	4	7	5	2	1	3	6
Effective Care	2	7	6	3	5	1	4
Safe Care	6	5	3	1	4	2	7
Coordinated Care	4	5	7	2	1	3	6
Patient-Centered Care	2	5	3	6	1	7	4
Access	6.5	5	3	1	4	2	6.5
Cost-Related Problem	6	3.5	3.5	2	5	1	7
Timeliness of Care	6	7	2	1	3	4	5
Efficiency	2	6	5	3	4	1	7
Equity	4	5	3	1	6	2	7
Long, Healthy, Productive Lives	1	2	3	4	5	6	7
<b>Health Expenditures/Capita, 2007</b>	<b>\$3,357</b>	<b>\$3,895</b>	<b>\$3,588</b>	<b>\$3,837*</b>	<b>\$2,454</b>	<b>\$2,992</b>	<b>\$7,290</b>

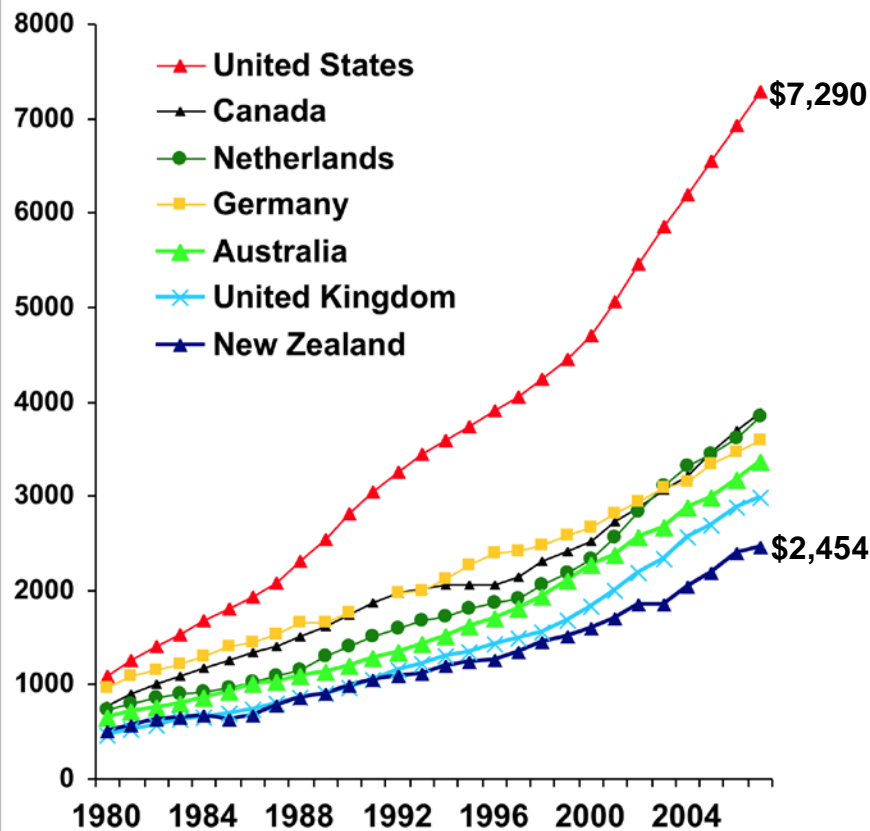
Notes: \*Estimate; expenditures shown in \$US PPP (purchasing power parity)

Source: Calculated by The Commonwealth Fund based on 2007 International Health Policy Survey; 2008 International Health Policy Survey of Sicker Adults; 2009 International Health Policy Survey of Primary Care Physicians; Commonwealth Fund Commission on a High Performance Health System National Scorecard; and OECD *Health Data, 2009* (Nov. 2009)

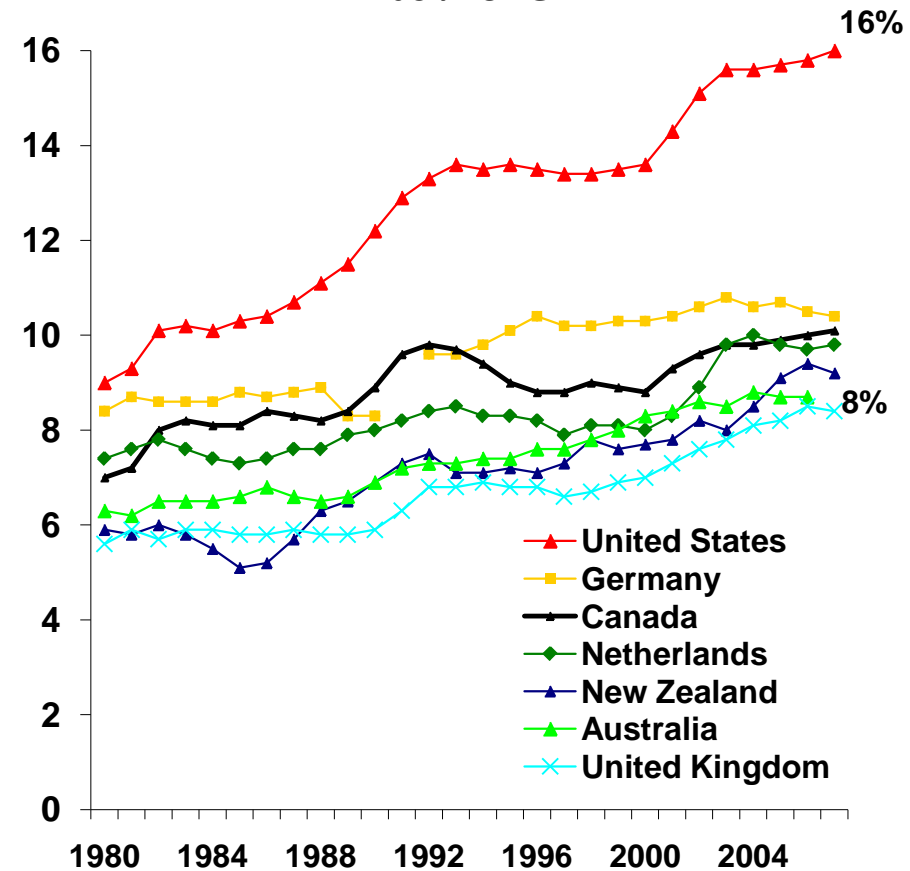
# International Comparison of Health Spending

## 1980–2007

Average Health Expenditures  
per capita (\$US PPP)



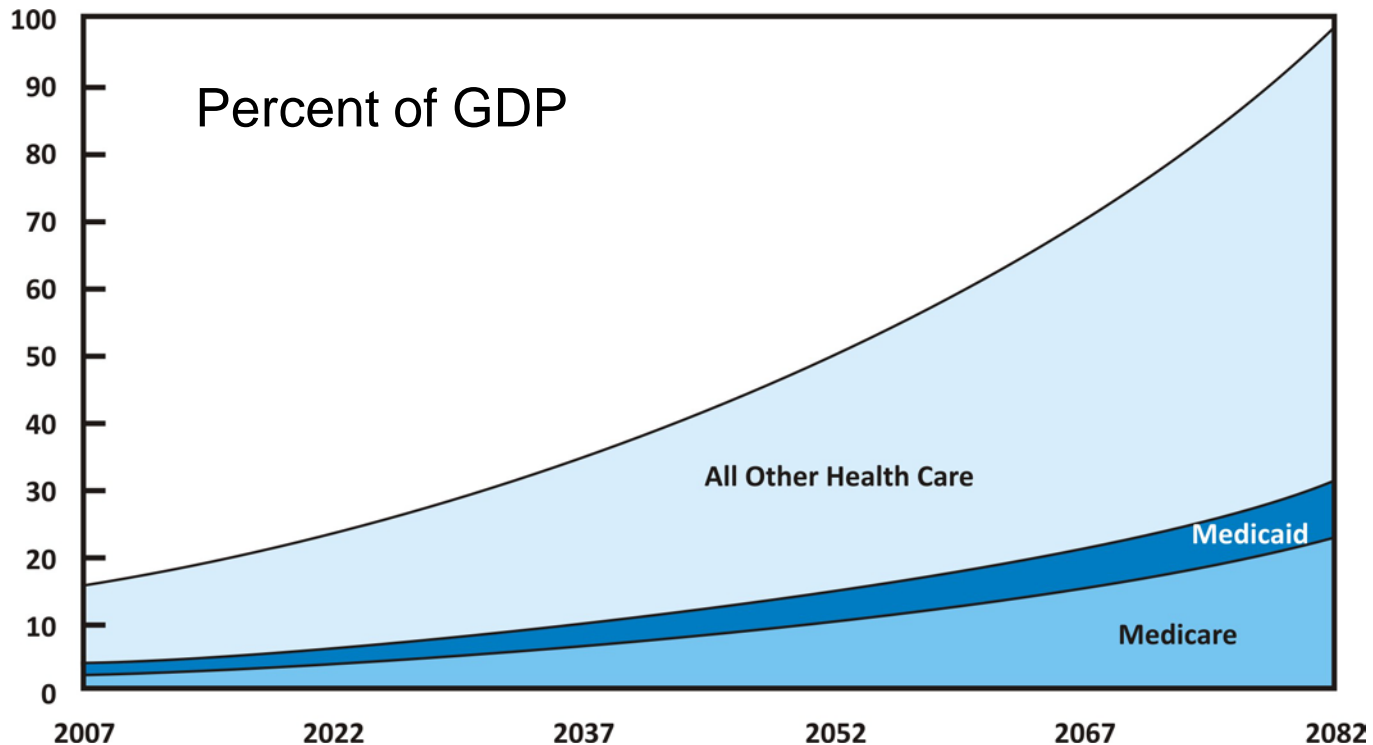
Total Health Expenditures  
as % of GDP



Note: \$US PPP = purchasing power parity  
Source: *OECD Health Data, 2009* (Nov. 2009)

# Projected Spending on Health Care

Under Assumption that Cost Growth Continues at Historical Averages



Source: Congressional Budget Office, testimony of Peter R. Orszag, Growth in Health Care Costs before the Committee on the Budget, United States Senate, January 31, 2008

# Affordable Care Act

- Largest expansion of private sector health insurance in U.S. history
  - Federal subsidies for those without employer coverage
- Tax credits for small businesses
- Private insurance market reform
  - Eliminate “rescission” and most other forms of underwriting
  - Required medical loss ratios
    - 85% for plans in large group market
    - 80% for plans in individual and small group markets
  - Compete on quality, service, outcomes, price



# Affordable Care Act

- Insurance exchanges
  - More efficiently pool risk
  - Lower administrative costs
  - Provide a choice of health plans to eligible individuals and small businesses
- Significantly expanded Medicaid eligibility to capture 16 million uninsured
- Large role for the states via both Medicaid and new insurance exchanges

# Affordable Care Act

- Goal: To cover all citizens
- Reality: Reduction of number of uninsured from over 50 million in 2007 to estimated 23 million in 2019
  - Uninsured will be mostly “illegal aliens” and those who fail or refuse to enroll in insurance plan
- Insurance mandate

# Health System Models

- Bismarck (decentralized)
  - Established end of 19th century by Bismarck in newly-unified Germany
  - Patients pay insurance premiums to a sick fund
  - Local/regional social insurance model
- Beveridge (centralized)
  - Established in 1948 by Lord Beveridge in the UK as the National Health Service (NHS)
  - State owns and runs hospitals
  - Funded through general taxation
- Market-Based

# Nations with Bismarck Model

## Social Insurance

### Current

- Austria
- Germany
- The Netherlands
- Belgium
- France
- Switzerland
- Luxembourg
- Japan

### Moved from Bismarck to Beveridge in 1970-80s

- Greece
- Italy
- Portugal
- Spain
- South Korea

# Nations with Beveridge Model

National Health System (NHS)

## Long-Standing

- UK
- Ireland
- Denmark
- Norway
- Sweden
- Finland
- Iceland
- Australia
- New Zealand

## Moved from Bismark to Beveridge in 1970-80s

- Greece
- Italy
- Portugal
- Spain
- South Korea

# Public Policy Conundrum

## Outcomes vs. Popularity

- Outcomes
  - Bismarck has higher rates of per capita growth in health expenditures
  - Beveridge has a cost advantage
  - Beveridge has a possible advantage in health outcomes related to diseases requiring systematic, organized population-based screening (e.g., breast cancer, TB)
- Popularity
  - Satisfaction in decentralized Bismarck systems generally higher than in centralized Beveridge systems

# Marked-Based Models

- American Blue Cross and Blue Shield model
  - Established in 1934
  - Private insurance and provider markets
  - Access depends on ability to pay
  - Provisions for the poorest and most vulnerable
- Other nations with market-based models
  - South Africa
  - Uruguay
  - The Bahamas
  - Chile
  - Argentina

# True “Blues”

- The rest of the developed world has Bismarck and Beveridge
- America has “The Blues”
- U.S. health care reform represents the first-ever attempt at “universal” health care on the foundation of a market-based model

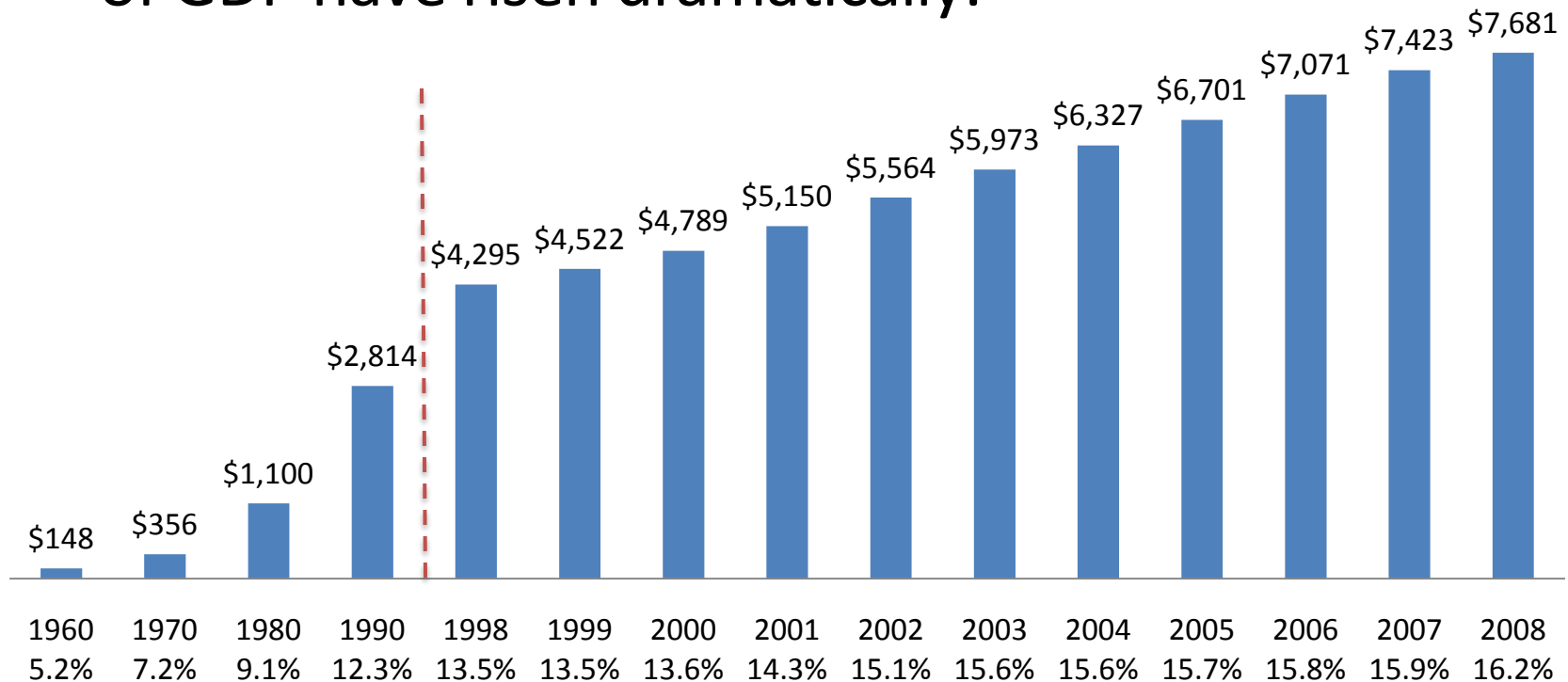


# Borrowing Among the Models

- Course of reform is never straight
- “The Blues”
  - Borrow from Beveridge in the VA Health System
  - Borrow from Bismarck in Medicaid and federally-sponsored community health centers
- Beveridge models have long experimented with “managed competition”

# The Challenge of Bending the Cost Curve

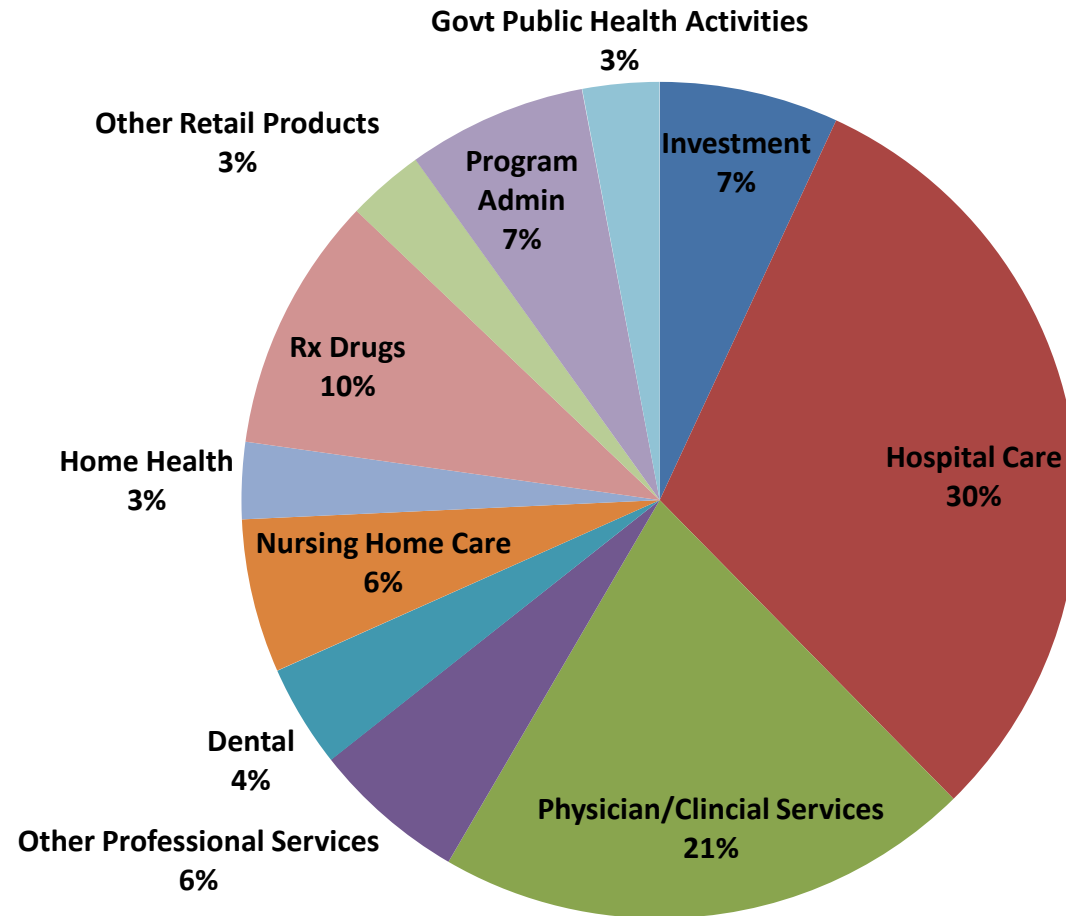
- Around the world, cost pressures have driven reform
- In the United States, health expenditures as a share of GDP have risen dramatically:



Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group; U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Bureau of the Census

# National Health Expenditures, 2008

\$2.3 Trillion



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

# Accountable Care Organizations

	Mode of Payment	Savings Incentives	Risk
Tier 1	Fee-for-service	Low ↑	Low ↑
Tier 2	Fee-for-service, partial capitation, some bundled payments	Medium ↑↑	Medium ↑↑
Tier 3	Full or partial capitation, extensive bundled payments	High ↑↑↑	High ↑↑↑

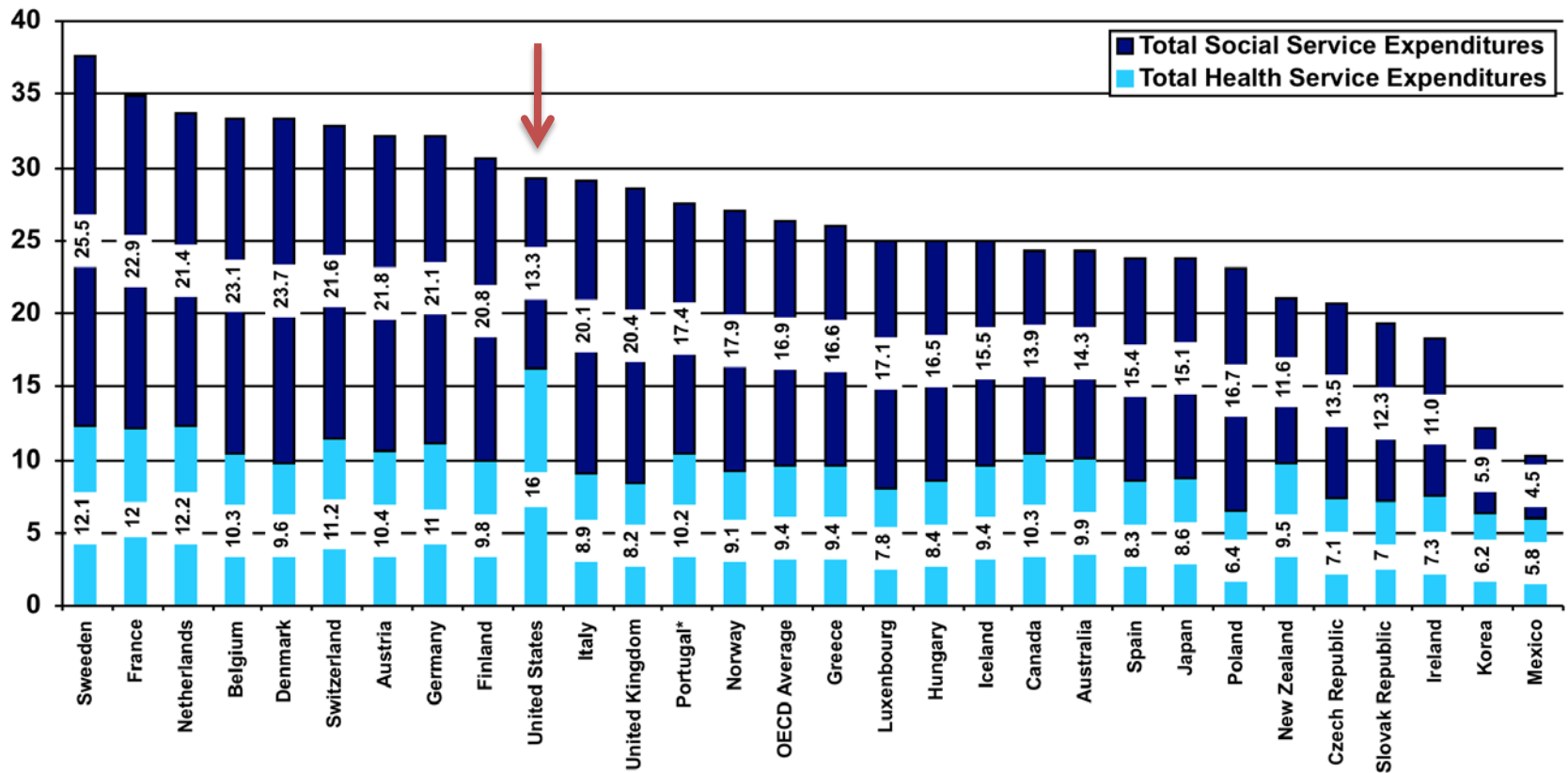
# Models of Accountable Care Organizations

<b>Integrated Delivery System</b>	Organization of physician practices, hospitals, and health plan, like Kaiser Permanente
<b>Multispecialty Group Practice</b>	Affiliation of physicians from multiple specialties, like Mayo Clinic
<b>Physician-Hospital Organization</b>	Joint venture between one or more hospitals and a group of physicians
<b>Independent Practice Association</b>	Organization of individual physician practices that contract with health plans
<b>Virtual Physician Organization</b>	Organization of small, independent physician practices, many located in rural areas

# Health and Social Service Expenditures

## OECD Countries, 2005

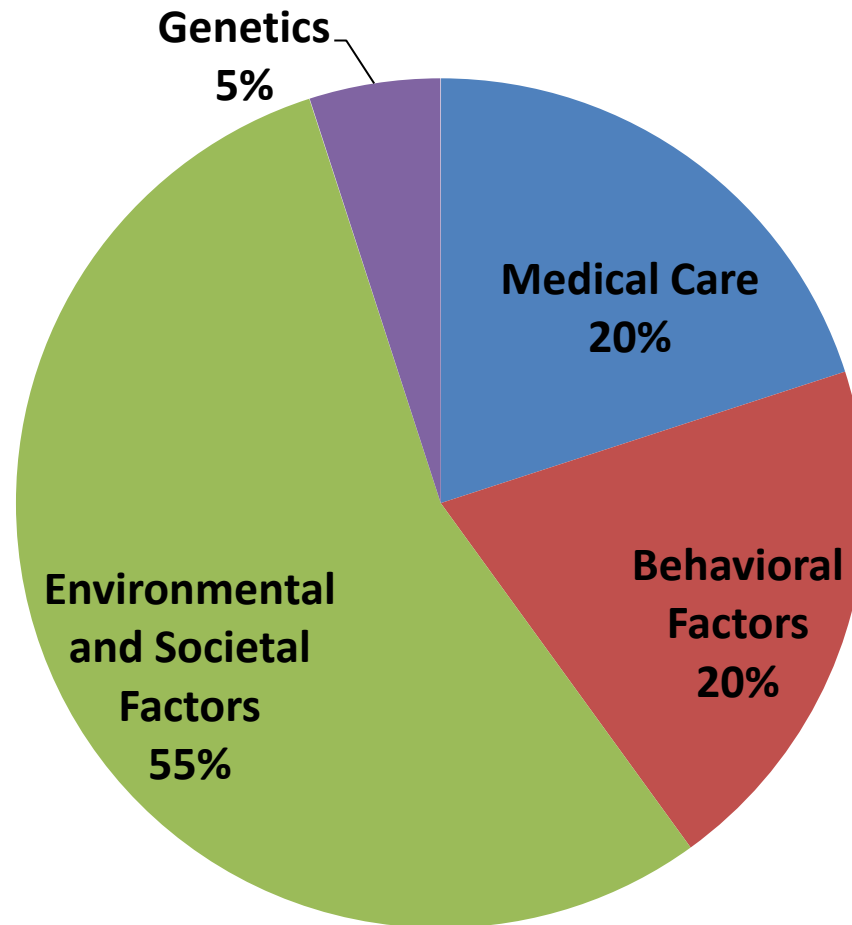
Expenditures as % of GDP



\*Expenditures for Portugal are from 2004 due to missing data for 2005

Source: OECD Health Data 2009 (Accessed June 2009); OECD Social Expenditure Dataset (Accessed Dec. 2009); *Health and Social Service Spending; Associations with Health Outcomes* by Elizabeth Bradley, Benjamin Elkins, Brian Elbel

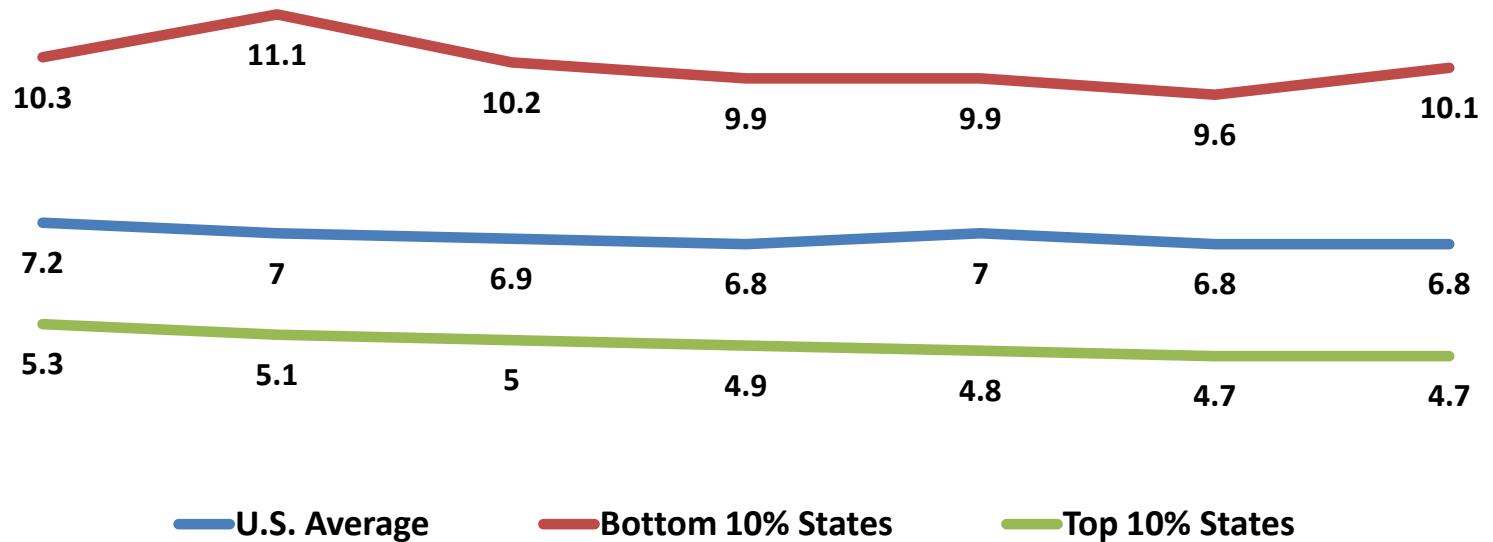
# Determinants of Health



# Infant Mortality Rates

Infant deaths per 1,000 live births

National Average and State Distribution



\*Denotes baseline year

Data: National Vital Statistics System, Linked Birth and Infant Death Data (AHRQ 2003, 2004, 2005, 2006, 2007a)

Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2008



# America's Got "The Blues"

"The Blues is life."  
—*Brownie McGhee*



"It is from the blues that all that may be called American music [and health care?] derives its most distinctive characteristics..."  
—*James Weldon Johnson*