

## INSIDE THE NEWS

## ECONOMIC VIEW

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## Health Care Problem? Check the American Psyche

**W**HAT is the most pressing problem facing the economy? A good case can be made for the developing health care crisis. Soaring costs, growing ranks of uninsured and a steady erosion of corporate health benefits add up to a giant drag on the nation's future prosperity.

While the outlook seems scary, it doesn't have to be. There is a solution, proven effective for hundreds of millions of people: single-payer health insurance.

Yes, single-payer — that much-maligned idea that calls for everyone to pay into one insurer, typically the government or a public agency. The insurer then pays doctors, pharmacists and hospitals at preset rates. Patients who want unapproved procedures and doctors not willing to accept the standard payment remain free to deal with one another directly, outside the system.

Such a system makes it much easier to deal with the growing costs of medical care, like administrative expenses and prescription drugs. It could also reduce the mountains of paperwork plaguing the current system and provide insurance coverage for the 46 million Americans now doing without it.

What's more, as demonstrated in France, Britain, Canada, Australia and other countries with functioning single-payer systems, significant savings can come without hurting the overall health of the population.

There's only one catch. Most Americans just don't believe it can be done. The health care crisis may turn out to be more of a problem of ideology than economics.

The economic case for a single-payer system is surprisingly strong. Start with what we already know.

Countries with single-payer systems have long records of spending less on health care than the United States does. The United States spent an average of \$6,102 a person on it in 2004, according to the Organization for Economic Cooperation and Development, while Canada spent \$3,165 a person, France \$3,159, Australia \$3,120 and Britain just \$2,508.

At the same time, life expectancy in the United States, a broad measure of health, was slightly lower than it was in those other countries in 2004, the latest year for which complete figures are available. And the United States had a higher rate of infant mortality.

To be sure, a single-payer system has plenty of critics. Unattractive features of some such systems, including waiting lists for particular types of care, are often

## More Spending, and Less to Show for It

Although the United States spends far more on health care than these other countries, it has lower life expectancy and higher infant mortality rates than all of them.

	2004: Health care spending per person*	Government share of total spending	Life expectancy, in years	Infant mortality per 1,000 births
United States	\$6,102	45%	77.5	6.9
Canada	3,165	70	79.9	5.3
France	3,159	78	80.3	3.9
Australia	3,120	68	80.6	4.7
Britain	2,508	86	78.5	5.1

\* In terms of purchasing-power parity among countries.

Source: Organization for Economic Cooperation and Development

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highlighted by skeptics. But supporters note that the overall health of people fares well in those countries.

"The story never changes," said Gerard F. Anderson, a professor at the Johns Hopkins Bloomberg School of Public Health. "The United States is twice as expensive with about the same outcome.

"As a consumer, I don't mind paying more if I'm getting more, but that's just not the case in the U.S.," said Professor Anderson, who publishes an annual review comparing the American health care system with those of its peers.

What may be less well known is the level of administrative waste in the United States health care system, versus that of well-designed systems elsewhere. Although Americans tend to equate efficiency with private enterprise, that's not the case with the current system.

The American system, based on multiple insurers, builds in more unnecessary costs. Duplicate processing of claims, large numbers of insurance products, complicated bill-paying systems and high marketing costs add up to huge administrative expenses.

Then there's an enormous amount of paperwork required of American doctors and hospitals that simply doesn't exist in countries like Canada or Britain.

"There's little disagreement among economists today that a single-payer system would lead to lower administrative costs," said Len Nichols, a health econo-

mist with the New America Foundation, a policy research organization in Washington. But he said that estimates varied widely over how big the savings could be.

One of the first major studies to quantify administrative costs in the United States was published in August 2003 in *The New England Journal of Medicine* by three Harvard researchers, Steffie Woolhandler, Terry Campbell and David U. Himmelstein. It concluded that such costs accounted for 31 percent of all health care expenditures in the United States.

More recently, in 2005, a study by the Lewin Group, a health care consulting firm commissioned to examine a proposal to provide universal health coverage in California, estimated that administrative costs consumed 20 percent of total health care expenditures nationwide.

Then there's the test of time. Health care costs tend to rise over time as new technology and procedures are introduced. Yet here, too, government-funded systems appear to help contain long-term costs.

Consider Canada's system. Professor Anderson points out that in the 1960s, Canada and the United States spent roughly the same per person on health care. Some three decades later, though, Canada spent half as much as America. How did Canada manage this? By controlling the use of medical equipment and hospital resources, which statistics show has helped Canadians keep a lid on costs without measurably compro-

misng the overall health of the population.

Economic studies also show that a government-funded system could reduce costs while providing coverage for everyone. The Lewin report on the proposal to provide universal health coverage in California calculated that if such a system had been operating in 2006, it would have saved \$8 billion, or around 4.3 percent of total health spending in the state. From 2006 to 2015, it estimated, savings would total \$343 billion. Currently, California spends about \$180 billion a year on health care.

Despite everything that is known about the economic benefits of a single-payer system, there's one big stumbling block: many Americans don't believe in it. They have heard horror stories from abroad, often spread by partisan advocates, focusing on worst-case examples. Such tales play upon the aversion of many Americans to government involvement in the economy.

Victor R. Fuchs, an economics professor at Stanford and a specialist in health care economics, explained it this way: "The Canadian system is a nonstarter for the U.S. even though it's a good system for Canadians. You're dealing with two very different countries. We were founded on life, liberty and the pursuit of happiness. They were founded on peace, order and good government. It's a difference of values."

Others in the field echo his skepticism. But that raises questions about how well Americans understand the system they have, and what the alternatives are.

**J**UDGING from other countries, many features that Americans really like — being able to choose their own doctor, for example — would remain available in a well-designed single-payer system. And a single-payer system need not mean government-provided care: it often means government-provided insurance that encourages competition among providers.

Much of the resistance to a single-payer system appears to stem from a lack of confidence in the nation's ability to make positive change. With all of its prowess in research and technology, can't the United States match the efficiency of other developed nations, or do even better?

Changing the minds of so many millions of people isn't done overnight. But sooner or later, persuading people to do something that's in their own economic interest ought to succeed. □