

A comparative analysis of the uk and us health care systems essay



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This essay seeks to explore the fundamental differences between the healthcare systems of the UK and the US. In order to do so, the structures of the two systems must first be outlined. Whilst the UK operates a socialised welfare system funded by the state, the US healthcare facilities are, for the most part, owned and operated by the private sector.

However it should be noted that public health care does exist in the US. Medicaid is the largest source of funding for medical and health-related services for people with low income in the US. In 2014, Medicaid covered over 68 million Americans, just over 20% of the population (WSJ 2014). It is jointly funded by the state and federal governments, who determine participant eligibility through means-testing.

Participation in the programme is not compulsory, although all states currently partake. In total, Medicaid bankrolls 16% of total personal health spending in the U. S. (KFF 2015) While the significance of this contribution cannot be ignored, it pales in comparison with the National Health Service, which provides universal coverage for UK citizens. The NHS provides free healthcare, at the point of use, to every legal resident of the United Kingdom. This reflects the ideological underpinnings of the UK system in the Beveridge model.

The National Health Service Act, passed in 1948, stipulated accordingly that access to healthcare be available to all regardless of wealth. These inherent structural differences manifest themselves in several other features of the two healthcare systems. This essay will analyse these differences by exploring the cost, quality, efficiency, and equity of the two healthcare

systems, in order to evaluate their relative merits. CostThe greatest contrast between the two healthcare systems is their respective cost structures.

In order to compare these structures, it is first necessary to outline the components of total healthcare expenditure. Total healthcare expenditure encompasses the final consumption of healthcare goods and services, as well as capital investment. Since UK healthcare is publicly funded, private healthcare expenditure in the nation is dwarfed by that in the US.

Additionally, the prices of prescription drugs in the US are much higher than in the UK. The NHS has monopsony power as a sole buyer in the healthcare market, which allows the NHS to drive down the prices of drugs using their bargaining power (Riley, 2011). This ultimately leads to lower costs, allowing for more treatments overall.

The US has a relative cost disadvantage in this area as the many, small, profit-making insurance companies have relatively little bargaining power against suppliers. Moreover, the US has many cost drivers such as high administrative costs, a fragmented care system and costly medical procedures (Herman, 2014). Furthermore, the US spends large amounts on Research & Development, which further augments total expenditure on healthcare. Consequently, the UK spends significantly less on healthcare as a percentage of GDP than the US. In 2012, UK healthcare expenditure as a percentage of GDP was just 9.3%, in the US this figure was 16.

9% (OECD, 2015). As a result, in 2012 health expenditure in the US was \$7662 per capita on healthcare whilst the UK figure was just \$3011 per capita (OECD, 2015). Overall, the US healthcare system is more costly than

that of the UK. In, addition to providing universal care, the NHS takes advantage of certain efficiencies within the market that can be used to diminish the costs associated with healthcare provision, for example, exerting monopsony power. This however does not mean that the UK provides a better healthcare service than the US; costs are not an indicator of quality. QualityHealthcare quality comprises of several factors, such as the effectiveness, safety, and coordination of care.

Through the analysis of such criteria, it will become possible to compare the quality standards of the two institutions. In 2011, 69% of UK adults felt that healthcare professionals were providing satisfactory care, compared to 58% of US adults (Commonwealth fund, 2011). Furthermore, a similar trend becomes apparent when considering safety. In 2011 8% of UK patients reported medical errors compared to 22% in the US (Commonwealth fund, 2011). However, one must take care when interpreting this data due to differences in patients' perceptions. Nevertheless, the Commonwealth Fund (CWF) ranking intimates that the UK delivers better safety standards than the US, coming top out of 11 countries studied.

Coordination of care is another important indicator of quality. In the UK, patients reported having experienced a lower coordination gap (20%) than US patients (42%) (Commonwealth fund, 2011). Perhaps this can be explained by the structure of the healthcare providers, as the private nature of the US system could create communication barriers. In spite of this 80% of patients in the US were offered various options regarding their care, compared to 85% in the UK (Commonwealth fund, 2011).

This finding would suggest an alignment between the two systems in terms of the standards service provided to their respective patients. It appears that the UK provides a superior quality of care than the US. However, quality of care alone does not define the effectiveness of a healthcare system.

EfficiencyIn terms of healthcare, efficiency can be defined as the optimal allocation of resources in relation to the costs associated with allocating these resources. Efficiency within the healthcare system is paramount; a lack thereof could lead to unnecessary patient fatalities. The UK spent significantly less on healthcare as a percentage of GDP at 9.

3% in 2012 compared to 16.9% in the US (OECD Health Statistics, 2014).

Having discussed the differences between the quality of the two systems, it could be inferred that the UK is more efficient than the US in terms of cost. However, the UK wastes over £2 billion a year on unnecessary treatments (Academy of Medical Royal Colleges, November 2014) which demonstrates the existence of inefficiency in the UK healthcare system.

Private medical providers in the US are paid per procedure, therefore the possibility that doctors may feel incentivised to prescribe more procedures instead of focusing on patient care- causing inefficiency- cannot be dismissed. The presence of asymmetric information within the US healthcare system can also be considered as an inefficiency. US patients often do not know how much their procedures cost, creating problems for those who are uninsured, whereas in the UK everyone is covered by the NHS. The CWF ranks the UK 1st in efficiency measures with the US ranking last out of 11 nations. The UK outperforms the US in measures such as Time Spent on

Paperwork by ' Patient' and ' Doctor' (UK 1st for Both, US 11th) (Davis, <https://assignbuster.com/a-comparative-analysis-of-the-uk-and-us-health-care-systems-essay/>)

Stremikis et al, 2014). In the UK the NHS provides all services and complete the paperwork themselves with little input from the patient.

In America the onus is more on the individual patients themselves to ensure that they receive the right level of service. Equity within healthcare can be seen as a 'fairness' indicator, in terms of equality between citizens in accessing their country's healthcare system. An inequitable healthcare system would therefore be one in which discriminatory factors prevent certain residents from obtaining full access. A survey by the CWF (2015), showed that while a third of American adults "went without recommended care, did not see a doctor when sick, or failed to fill prescriptions because of costs", this figure was only 6% in the UK (OECD 2015). This can be attributed to the absence of universal coverage for Americans, which creates access problems, and subsequently inequitable outcomes for patients. The horizontal inequity index compares the level of need with the amount of medical care received, by ranking each individual by income level.

The index takes a value between 0 and 1. 0 signifies a perfectly equitable system; such that income has no effect. Although higher income groups had better access to healthcare in the majority of the countries studied, relative to the UK, the US was particularly inequitable with a result of 0.06.

Despite the apparent shortcomings, there have been attempts by the US government to socialise the US healthcare system. Implemented in 2010, Obamacare (Affordable Care Act) comprises of a variety of mechanism, administered to improve the affordability and quality of healthcare in America. It seeks to lower the uninsured rate by decreasing the costs of

healthcare for the government and the public, whilst broadening private and public insurance coverage (Obamacare Facts). In order to achieve this, Obamacare aims to reduce premium and out-of-pocket costs for those who had been priced out of coverage in the past. The act also calls for broader Medicaid eligibility and Medicare coverage.

Under the plan, 95% of Americans will be insured. Additionally Obamacare stipulates guaranteed issue, which prohibits insurers from denying coverage to individuals due to pre-existing conditions (Obamacare Facts). However, following a US Supreme Court case in 2012, it was concluded that states could not be forced to participate in Obamacare's Medicaid expansion. Many states have rejected this expansion. Nevertheless, as of May 2014, about 20 million Americans had gained health insurance coverage under Obamacare, and the percentage of uninsured Americans dropped from 18% in 2013 to 13.

4% in 2014. These results suggest that the UK does have a more equitable healthcare system relative to the US. However it's important to note that this criterion represents part of the overall picture, which will now be discussed. FutureThe US healthcare system's lauded free market credentials have been shown to be lacking, however solutions to its problems may lie in restoring that prized status. A report by the Economist (2014) suggests that expanding schemes such as Obamacare would improve efficiency by providing more citizens with the ability to shop around for a healthcare plan.

Financial incentives and penalties directed at hospitals have so far helped to reduce perverse supply side incentives as mentioned earlier. Regarding the

NHS, the concern is with the continued functioning of the current system in the face of demographic and financial pressures. Research has revealed that, while the NHS remains one of the UK's most treasured and valued institutions, actual patient satisfaction has fallen significantly (The Guardian, 2015). This may call for investment in order to bring services back in line with patient expectations, however this is where the NHS's biggest challenge lies.

The NHS is expected to end the current financial year £1bn in deficit, and NHS England has predicted that rising demand for care will leave a £30bn budget gap by 2020, unless productivity increases beyond its current trend (The Guardian, 2015). Economists have therefore stated the need for a debate on the choice between increasing the NHS's budget versus accepting a lower level of care. Comparing the two countries healthcare systems based on Quality, Efficiency, Cost and Equity give us the general impression that the UK system has the advantage over the US. However, factors mentioned throughout this essay limit the appropriateness of a direct comparison.