

The Inside Scoop Part 1: A comparison of the U.S. and Australian healthcare systems

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Healthcare comparison of the U.S. and Australian healthcare systems

I'm an Australian [GP](#). I'm also married to a U.S. military member. So, it's fair to say life has taken a dramatic turn over the past few years. My experience as a doctor in the Australian system, in combination with my personal experience as a patient in the U.S. medical system, has placed me in a unique position to do a healthcare comparison of the two countries. As a tourist, I travelled to the USA many times in my twenties. And I naively remember thinking that there weren't that many differences to our countries. However, I now openly admit to experiencing a little bit of culture shock. Especially healthcare culture shock since moving here.

Is Australian healthcare better than the U.S.?

President Trump's plan for healthcare reform and the call to abolish the Obama administration's Affordable Care Act has once again caused a resurgence of media interest in the U.S. health system, even internationally. Trump recently admitted to our Prime Minister Malcolm Turnbull, "Australia...you have better healthcare than we do" [1].

So is this true? And how do they differ?

I certainly do not proclaim to be an expert on this difficult and complex area. However, I will attempt to summarise a few of the main points I've learned from living here in the U.S. as accurately as possible.

Background on healthcare systems

First things first. Let's look at a little background on the basic structure of the healthcare systems.

The World Health Organisation (WHO) defines Universal Health Coverage (UHC) as:

- a system where everyone has access to quality health services, and
- everyone is protected against financial risk incurred while accessing care [2].

By this definition, 32 out of 35 OECD member countries have UHC. And while this includes Australia, the USA is not one of them [2].

The Australian healthcare system

Australia has a 2-tier system: public and private [2].

High-quality, free hospital care

All citizens, permanent residents, and certain visa holders are eligible to receive high-quality, free public inpatient and outpatient hospital care. This includes free [emergency department](#) visits through Medicare. However, many people also pay an out-of-pocket fee to see a doctor in the community setting (GP or other private specialist). Unfortunately, the patient's Medicare rebate for these services has failed to increase with rising health costs [3].

Approximately 57% of Australians also choose to have private health cover [2]. Private health insurance can supplement allied health services, optometry, and dental. Furthermore, it enables access to private hospitals with your choice of healthcare provider and reduced waiting times for elective procedures. The Australian government also provides a subsidy for private insurance costs to families. They use a sliding scale based on income to encourage uptake of private insurance.

How the Australian healthcare system is funded

So, how does Australia manage to provide basic public services for all Australians? As well as being funded through general taxation, all Australians pay a 2% Medicare income tax levy. An additional levy of 1% is applied to high-income earners who choose not to take out private cover [3].

The U.S. healthcare system

Compare this to the U.S. system. In the 1960s, Medicare and Medicaid were introduced in America and funded by U.S. payroll taxes. They provide coverage to very low-income earners and the elderly. However, the majority of Americans are not included in this small cohort and are therefore responsible for almost all of their healthcare costs [3].

Most families obtain private insurance cover through their employer, but this is often only available if they are employed full-time. Insurance policies also vary widely in their level of cover, co-payments, and deductibles. So, most patients are still subject to out-

of-pocket costs. The self-employed and many part-time employees are left to self-fund their own insurance completely. And this is often beyond their means.

The Affordable Care Act

The Affordable Care Act was introduced in 2010. It aimed to increase insurance uptake as well as employer-sponsored cover. For the first time, it also ensured that pre-existing conditions would be covered. A penalty was introduced for all the uninsured in an attempt to mandate insurance coverage. Despite all this, an estimated 26 million people remain without health insurance in the U.S. [2].

Differences in funding medications

The funding of medications also differs between the countries. Australia has a Pharmaceutical Benefits Scheme (PBS) that caps the out-of-pocket cost of most medications for all Australians. Meanwhile, patients in the USA rely on their private insurance to cover their medications. What is eligible for coverage varies widely amongst insurers. Thus, many can find themselves responsible for the full cost of essential medication. In some cases, this can be financially crippling. It is frightening how common it is to see desperate people on street-corners, begging for donations to cover their medication or healthcare costs.

Thankfully, as a military family, we are covered by the government-funded health insurance, Tricare. Tricare is renowned to be one of the best as they have very few out-of-pocket costs. The main limiting factor is that you need to obtain healthcare from a military facility. Alternatively, you can choose a different plan to see a provider of your own choice. However, this requires you to pay a small co-payment.

The active duty member is covered for dental and optical. However, the rest of the immediate family is not. Therefore, many choose to pay for supplemental dental insurance. Depending on which plan you opt for, a wide range of medications are fully covered or require a very small co-payment. Overall, most military families are happy and feel privileged to have this almost-free comprehensive health insurance. In fact, one of the main reasons many servicemen choose to stay in active duty until the 20-year retirement mark is to ensure free, lifelong Tricare-coverage for their families.

Let's compare the healthcare costs

It's no secret that healthcare costs in the USA are high compared to other countries. I have heard many anecdotal stories about U.S. medical costs from friends over the years before I had a chance to experience it for myself. One such example is an \$8,000 ED bill for a child who needed IV rehydration for gastroenteritis. Another one is about a patient incurring a \$50,000 debt for an air ambulance inter-hospital transfer to a stroke unit.

My first experience of the U.S. hospital system

Despite having some idea of the costs, my first experience of the U.S. hospital system was still rather confronting. And it certainly was a little more dramatic than I was hoping

for. As is typical for most military members, my husband and I were unfortunately apart for the first year of our daughter's life due to his remote posting. I gave birth in the familiar Australian system. Afterward, I ventured to the USA with our 5-month-old daughter for a much-needed reunion with my husband. He was completing a short training course there. Unfortunately, our first family holiday took a dramatic turn. I was noticing my pregnancy enlarged pea-sized umbilical hernia. It was red, swollen, and irreducible. My logical doctor's brain knew that surgical intervention was inevitable.

We arrived at the ED at 5pm. Unbeknownst to us, the hourly dollar-clock started ticking. I was triaged in a very full waiting room. I had to re-present multiple times to the nursing station with worsening pain and discolouration before I was taken seriously and was finally seen. However, from that point on my care was great. They wheeled me into the operating theatre about 6 hours post-incarceration. They formally discharged me from the ED short-stay unit with oral analgesia at 4am, a few hours after I had woken from anaesthesia. Groggy, in a wheelchair and dosed up on narcotics, my husband and I had one more stop to make. The payment office.

The \$24,000 bill

We discussed our insurance, and the bill was itemised with paperwork to sign. My 11-hour ED short stay, which wasn't even classified as an admission (despite undergoing an operation), cost our insurance company a grand total of USD \$24,000. Wide-eyed and with my jaw open, I questioned the amount. The reply I got was, "Well, it's billed by the hour. So, if you'd stayed until morning it would have been much higher."

Alarming facts from the 2016 OECD report

The 2016 OECD report includes statistics from 34 countries. And it revealed some alarming facts. Health spending in the USA per capita is one of the highest [3]. However, life expectancy in the USA falls well short of most other developed countries [4]. Specifically, the average health spending per person per year in the USA in 2016 was \$9,892. You can compare this to only \$4,708 in Australia [4].

This equates to an average cost in the USA of approximately 17.2% of GDP. Meanwhile, in Australia our system costs us about 9.6% of GDP [4]. The average cost of a hospital stay in the US is \$18,000. That's 3 times higher than the OECD average [5]. My hospital treatment cost more than that, even though I was not formally admitted. I stayed for 11 hours only and underwent a minor surgical operation.

Reasons for the high cost of healthcare in the U.S.

Here, we'll take a look at what some of the reasons are for the comparatively high cost of healthcare in the U.S.? In comparison to other OECD countries, the main ones seem to be:

- **Higher costs of services [5]. This includes higher costs for laboratory tests, radiology, doctor's fees, hospital beds, and private health insurance premiums.**
- **A greater number of tests are ordered, such as MRI and CT scans.**
- **More surgeries are performed. E.g. CABG, hip and knee replacements) [5].**

- Lack of controls in place to limit the rising costs of private insurance [5].
- Greater administrative costs [5]. In my opinion, this is probably due to insurance complexity. Most clinics will not allow you to book an appointment until the office staff personally double-check your coverage.

Lack of regulations

One common theme here seems to be a lack of strong regulation on the fees that hospitals, doctors, pharmaceutical companies and insurance companies can charge for services and medications. For example, the same service is often billed at vastly different amounts depending on what level of insurance a patient has [5]. This differential pricing for services encourages overcharging.

In the USA there is a reluctance to have tighter regulations on healthcare costs. The USA is a country with a focus on individual freedom of choice, small government, and low tax. So, this is understandable. But it is financially unsustainable. Stronger government regulation of healthcare has demonstrably delivered similar or better quality healthcare in most other OECD countries. And at half the cost or less! But this appears to be politically unacceptable in the US.

Where the USA succeeds compared to other developed nations

There is no doubt that the United States takes the lead in world-class healthcare research. The U.S. runs the most clinical trials of any OECD country. The FDA has a shorter drug approval process than many other countries, including Australia. This means that new treatments are more readily accessible. It also leads the world in cancer treatments in some areas. And the U.S. has one of the highest 5-year survival rates for breast cancer and colon cancer [5].

If you have adequate coverage, the wait time for a specialist appointment or elective surgery is among the lowest of all OECD countries [5].

Compared to Australia, the U.S. structure of the systems, insurance complexity and healthcare costs are certainly vastly different. However, this is just the tip of the iceberg. In Part 2 I will discuss the differences in health provider roles, clinical management, and medical education.

References

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Further interesting resources summarising the health systems

- The healthcare system of the United States (available at: <https://www.youtube.com/watch?v=yN-MkRcOJjY>)
- Australian health care (available at: <https://www.youtube.com/watch?v=yIsOOVvy29U>)

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- [The Inside Scoop Part 2: A comparison of the U.S. and Australian Healthcare Systems](#)

Tags: #Affordable Care Act, #Australian healthcare system, #healthcare costs, #obamacare, #Universal health coverage, #US healthcare system, #World Health Organisation