

The Inside Scoop Part 1: A comparison of the US and Australian Healthcare Systems

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As an Australian GP married to a US military member, 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 US medical system has placed me in a unique position to observe the healthcare differences. 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.

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 US health system, even internationally. Trump has recently admitted to our Prime Minister Malcolm Turnbull "Australia...you have better health care than we do" [1]. So is this true? And how do they differ? While I certainly do not proclaim to be an expert on this difficult and complex area, I will attempt to summarise, as accurately as possible, a few of the main points I've learned from living here.

First things first...a little background on the basic structure of the health care systems

The World Health Organisation (WHO) defines Universal health coverage (UHC) as a system where everyone has access to quality health services and 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].

Australia has a 2-tier system: public and private [2]. All citizens, permanent residents and certain visa holders are eligible to receive high quality free public inpatient and outpatient hospital care, including 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) as the patient's Medicare rebate for these services has failed to increase with rising health costs [3]. Approx 57% of Australians also choose to have private cover [2], which can supplement allied health services, optometry and dental and enable access to private hospitals with your choice of health care provider and reduced waiting times for elective procedures. The government also provides a subsidy for private insurance costs to families using a sliding scale based on income to encourage uptake of private insurance. 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].

Compare this to the US system. In the 1960s, Medicare and Medicaid were introduced in America, funded by US 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 often this is only 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 subjected to out of pocket costs. The self-employed and many part time employees are left to self-fund their own insurance completely, which is often beyond their means.

The Affordable Care Act was introduced in 2010, with the aim of increasing insurance uptake and increasing 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 US [2].

The funding of medications also differs. While Australia has a Pharmaceutical Benefits Scheme (PBS) that caps the out of pocket cost of most medications for all Australians, patients in the USA rely on medications being covered by their private insurance. What is eligible for coverage again varies widely amongst insurers and many can find themselves being responsible for the full cost of essential medication, which in some cases 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, which is renowned to be one of the best as we have very few out of pocket costs. The main limiting factor is that you need to obtain health care 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. While the active duty member is covered for dental and optical, the rest of the immediate family are not, and 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.

Now, lets compare the health care costs

It's no secret that health care costs in the USA are high compared to other countries. I have heard many anecdotal stories about US 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, and a patient incurring a \$50,000 debt for an air ambulance inter-hospital transfer to a stroke unit.

Despite having some idea of the costs, my first experience of the US hospital system was still rather confronting and certainly 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, and ventured to the USA with our 5 month old daughter for a much needed reunion with my husband while he completed a short training course there. Our first 'family holiday' took a dramatic turn when I noticed my pregnancy enlarged pea-sized umbilical hernia was red, swollen and irreducible. My logical doctor brain knew that surgical intervention was inevitable.

On arrival at the ED at 5pm, unbeknownst to us, the hourly dollar clock started ticking. I was triaged in a very full waiting room and 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, and I was wheeled into the operating theatre about 6 hours post incarceration. A few hours after waking from anaesthesia, at 4am, I was formally 'discharged' from the ED short stay unit with oral analgesia. Groggy, in a wheelchair and dosed up on narcotics, my husband and I had one more stop to make - the payment office. Our insurance was discussed, and the bill 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 jaw open, when I questioned the amount, the reply was "Well its billed by the hour so if you'd stayed until morning, it would have been much higher".

The 2016 OECD report, which includes statistics from 34 countries, revealed some alarming facts. While the health spending in the USA per capita is one of the highest [3], the life expectancy in the US 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 compared to only \$4,708 in Australia [4]. This equates to an average cost in the USA of approximately 17.2% of GDP, while in Australia our system costs us about 9.6% [4]. The average cost of a hospital stay in the US is \$18,000, 3 times higher than the OECD average [5]. My hospital treatment cost more than this, despite not being formally admitted, staying only for 11 hours and undergoing a minor surgical operation.

So what are the reasons for the comparatively high cost of healthcare in the US? The four main ones, in comparison to other OECD countries, 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) and more surgeries (e.g. CABG, hip and knee replacements) performed [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

One common theme here seems to be 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.

The reluctance in the USA to have tighter regulation on health care costs is understandable in a country that is focussed on individual freedom of choice, small government and low tax, but it is financially unsustainable. Stronger government regulation of healthcare has demonstrably delivered similar or better quality healthcare in most other OECD countries at half the cost, or less, but this appears to be politically unacceptable in the US.

So where is the USA succeeding compared to other developed nations?

There is no doubt that the United States takes the lead in world-class health care research. It runs the most clinical trials of any OECD country. The FDA has a shorter drug approval process than many other countries including Australia so new treatments are more readily accessible. It also leads the world in cancer treatments in areas and 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 specialist appointment or elective surgery is among the lowest of all OECD countries [5].

As you can see, compared to Australia, the structure of the systems, insurance complexity and the health care costs are certainly vastly different in the USA. 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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