

The USA's Unhealthy Healthcare System

Contributed by Euromonitor International
Tuesday, 17 November 2009

In the face of the economic downturn following the financial crisis of 2008, rising healthcare costs in the USA are becoming increasingly unsustainable for businesses, families and the government.

Reforms are on the horizon which may increase coverage but may not stop cost growth.

- US healthcare expenditure accounted for 15.4% of GDP in 2008, which was the highest in the OECD;
- Most private health insurance is either fully or partially sponsored by employers, and from 1999 to 2009 health insurance premiums increased 132% for companies that partially fund premiums and 140% for fully funded premiums;
- Consumer spending on healthcare has risen faster than total spending and income per capita. Annual gross income per capita averaged 0.6% real growth from 2000 to 2008. However, consumer health expenditure per capita grew at a real rate of 3.3% per annum;
- The government also provides some public health insurance through Medicare, which supports those 65 and older and Medicaid for low-income families. Whilst total government expenditure grew at an annual real rate of 2.8% per capita from 2000 to 2008, government expenditure on health grew at a real rate of 5.7% per capita per year.

Implications

The economic fallout from the global financial crisis has increased the burden of healthcare costs on families, businesses and the government:

- Private healthcare spending accounted for 53.5% of total healthcare spending in the USA in 2008, which was the highest among G8 countries;
- Rising healthcare costs may dissuade businesses from hiring new full-time employees and cause businesses to cut back on health insurance benefits for current employees;
- Average private health insurance premiums for a family of four in 1999 were US\$5,485 per annum or 7.2% of household disposable income. 2008 premiums were estimated at US\$12,973 per annum or 14.8% of average household disposable income;
- With unemployment rates in the USA rising, up to 9.8% in September 2009 from 6.2% in September 2008, many people are losing their employer sponsored health insurance and are unable to maintain private coverage;
- As more people lose or opt out of private health insurance coverage, it will put strains on the government's public health programs, particularly Medicaid, at time when the projected federal budget deficit for 2009 is US\$1.6 trillion, the highest in 50 years;
- The Medicare program will also have to meet expanded demand as the relatively large baby boom generation born between 1945 and 1965, started entering retirement in 2005.

Prospects

The final healthcare reform bill, which is expected to be voted on by the end of 2009, will likely include some of the key elements of major proposals that have been approved by House and Senate committees as of October 2009:

- Most proposals would require Americans to carry insurance with tax penalties for violators and subsidies or a public insurance option for people who cannot afford premiums;
- The impact of mandatory health insurance premiums on household budgets may constrain consumer spending on discretionary items. Young people, many of whom are uninsured, may be the demographic most affected by this type of reform;
- The legislation is expected to cost about US\$900 billion over 10 years which may be paid for by a combination of higher income taxes and fees on drug makers, insurance companies and manufacturers of medical devices;
- Businesses subject to increased taxes and fees will have higher costs; however, mandatory insurance coverage may also increase demand for insurance policies and medical services.

20th October 2009

For further information on this article please visit the [Euromonitor Homepage](#)