

An Overview of the U.S. Healthcare System

The challenges and opportunities faced by RNs cannot be viewed in isolation from the overall condition of the healthcare system in the United States. This is especially true because escalating healthcare costs are causing employers and the government to seek ways to cut or to shift costs. Cost pressures usually result in a more difficult bargaining climate, and a more risky climate for patient care. RNs also see these pressures at the bargaining table, as do all union members, when employers seek to shift the cost of providing healthcare on to the RNs as employees.

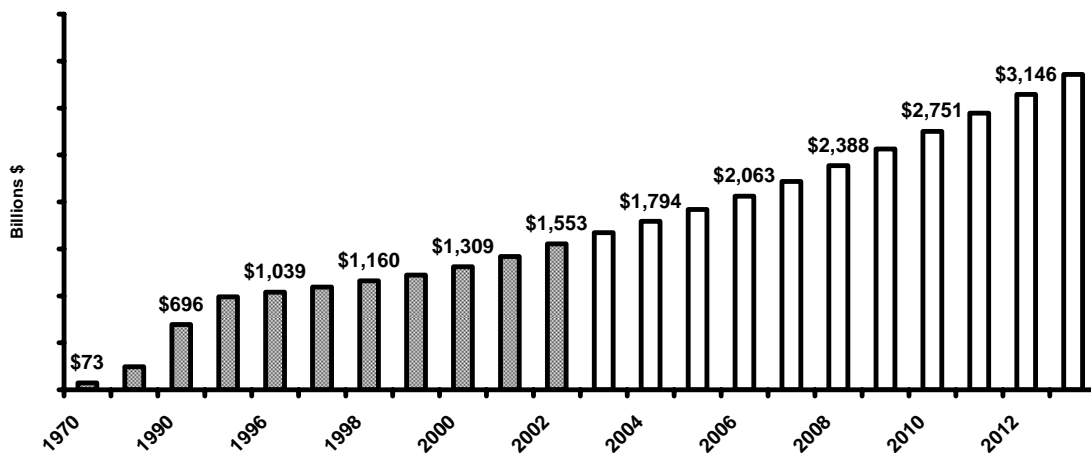
This fact sheet reports on the overall condition of the healthcare system in the U.S. The next will look at the related topic of the condition of the hospital industry.

Growth in Healthcare Spending

The following chart shows the growth in U.S. healthcare spending over time. These figures include all spending on healthcare whether done out-of-pocket by individuals, by private insurance, by Medicare or Medicaid, or by other payees.

U.S. Health Spending Projected to Rise to Over \$3Trillion by 2012

Figures for 2003 and Beyond are Projections



Source: Center for Medicare & Medicaid Services

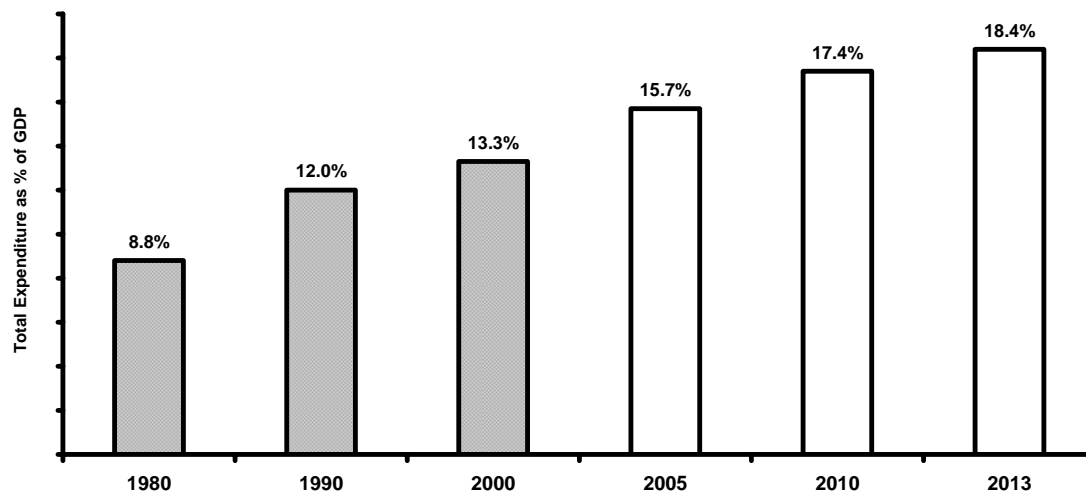
From 1990 to 2003 healthcare spending rose by 140 percent, from \$696 billion to over \$1.6 trillion. Over the next ten years it is expected to double again in size to well over \$3 trillion.

Of course it is reasonable to expect that spending on healthcare would rise; after all, as the overall size of the economy grows, spending on many things rises. And with a growing population we would expect growing spending. However, as the chart that follows shows, spending as a portion of the economy's total output has also risen.

This chart shows health spending as a percent of Gross Domestic Product (GDP). GDP is the figure that economists use to measure the dollar value of all the goods and services produced in the economy. Healthcare spending has risen from slightly under 9 percent to about 15 percent currently. Over the next ten years it is projected to rise to nearly 20 percent of GDP.

U.S. Health Spending as a Percent of Total Economic Output

Figures for 2005 and Beyond are Projections



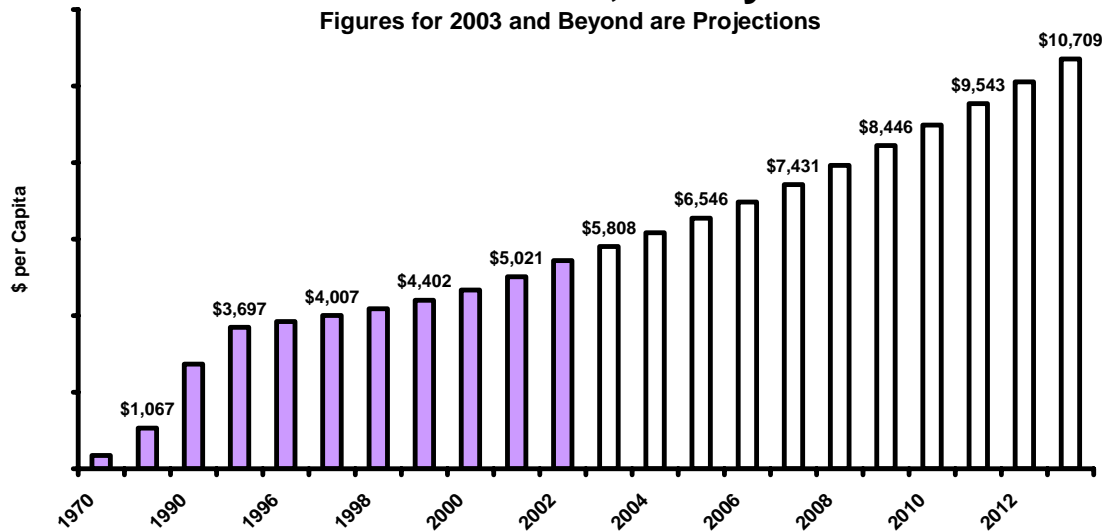
Source: Center for Medicare and Medicaid Services

Another way of measuring the growth of healthcare spending is to look at the amount we spend in the U.S. per capita or per person. Healthcare spending has grown from about \$3,000 per person in 1990 to nearly \$6,000 today. By 2013 it is anticipated to rise to nearly \$11,000.

Many factors contribute to the rise in healthcare costs including the rising age of the population, the spread of obesity, and the development of new healthcare technologies and medicines that improve patients' lives, but do not come without a cost.

In addition, there is a tendency for administrative costs to rise as hospital, providers, managed care companies, and insurers all battle for their share of the healthcare dollar. There is also evidence that some manufacturers and drug companies are able to charge excessive prices because they lack competition.

U.S. Per Capita Health Spending Will Reach Over \$10,000 by 2012



Source: Center for Medicare & Medicaid Services

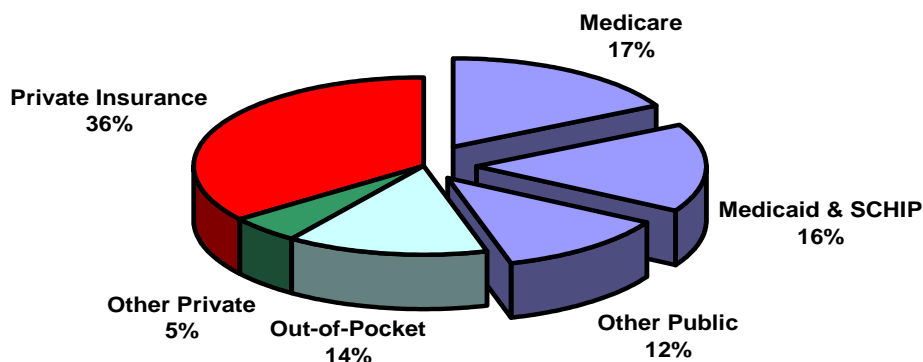
One measure of just how important the issue of rising health costs is to the business community comes from General Motors. GM is the nation's largest private spender on healthcare; it has 1.1 million retired and active employees for which it purchases health coverage. In 2003, their costs for healthcare were \$4.8 billion, exceeding their costs for steel. This provides an incentive to shift manufacturing to countries where the government pays for healthcare, such as under Canada's single payer system.

Dividing Up the Healthcare Dollar

The last section focused on how rapidly healthcare spending has grown. This section will discuss where the spending comes from and where it goes.

Public Funds Pay for 45% of U.S. Healthcare Spending

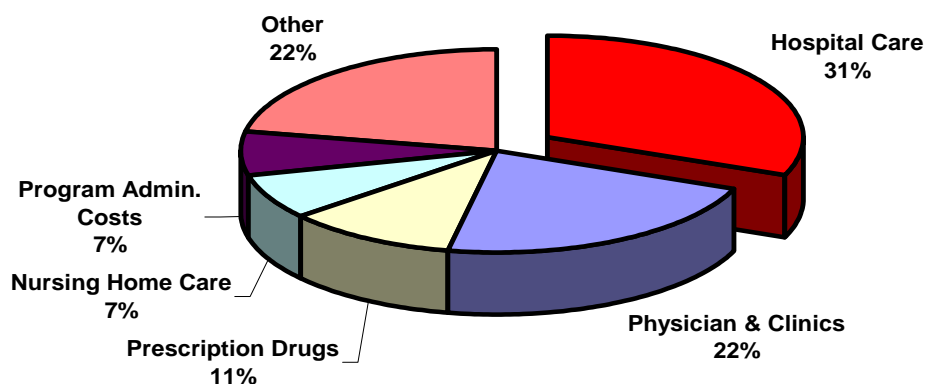
(Including Medicare, Medicaid, SCHIP & Other Public Funds)



Source: Center for Medicare and Medicaid Services

Private insurance, as of 2002, paid for about 36 percent of all U.S. healthcare expenses. The next largest chunk was paid for by Medicare (17 percent), followed by Medicaid and SCHIP (State Children's Health Insurance Program). Other public spending includes worker's compensations, veterans affairs, public health, other federal hospitals and state and local hospitals. Note that if all public expenditures are added together, government pays for fully 45 percent of all healthcare.

Hospital Care Comprises Nearly a Third of U.S. Healthcare Spending



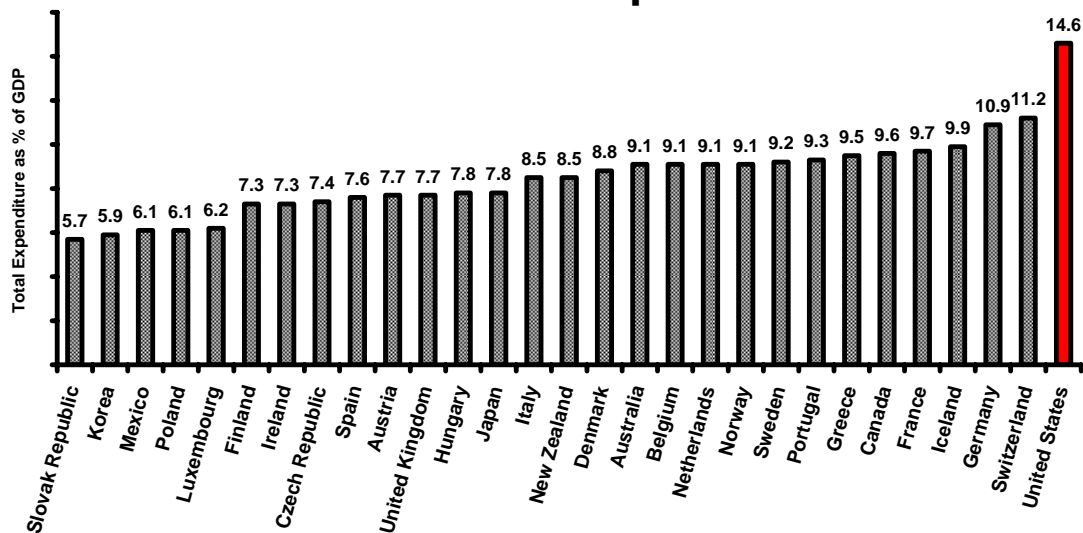
Source: Center for Medicare and Medicaid Services

The previous chart shows where all this money is spent. Fully 31 percent of all healthcare spending goes for hospital care. This is followed by physician and clinical services at 22 percent, prescription drugs at 11 percent, nursing home care at 7 percent and program/administration costs at 7 percent. Other spending on healthcare includes dentist services, other professional services, home healthcare, medical products, over-the-counter medicine and the like.

International Comparisons

The U.S. spends a lot on healthcare, and that spending is growing fast. How does this compare with other nations? Are we getting good value for the amount we spend? We can get answers to these questions by looking at data from the Organization for Economic Cooperation and Development (OECD), an organization whose members comprise most of the major economically developed countries.

U.S. Spends a Larger Share of Total Economic Output on Health



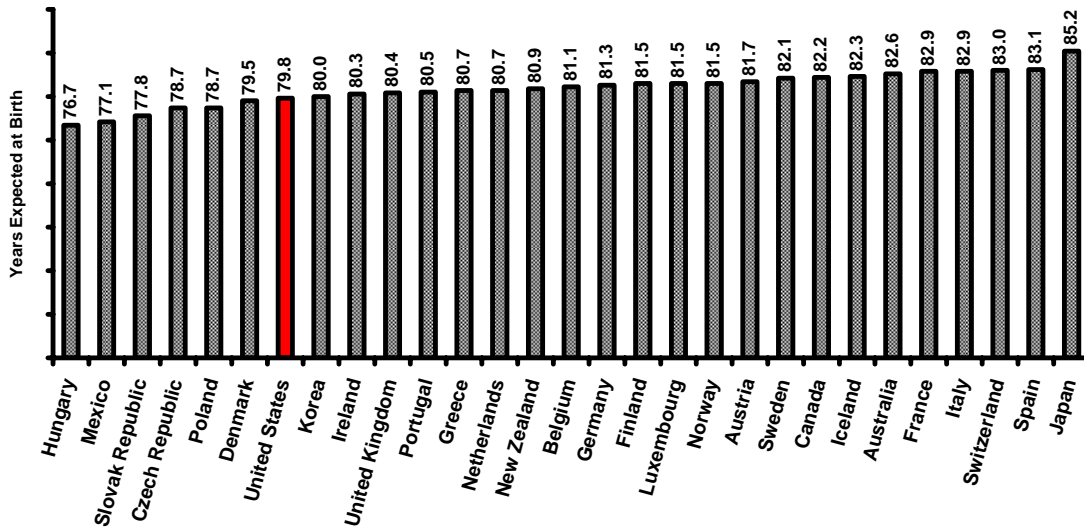
Source: OECD Data for 2002

This chart compares the amount that various OECD countries spend on healthcare as a percent of GDP. The U.S. spends a far higher percentage on healthcare than any other nation, at 14.6 percent. The next highest spending country, Switzerland, spends only 11.2 percent, and most countries spend well under 10 percent.

Taken alone the fact that a country spends a comparatively high portion of its resources on healthcare is nothing to condemn. It might merely reflect a greater commitment to providing quality healthcare for its citizens. However, an examination of the following charts reveals that this is not the case. In spite of spending more on

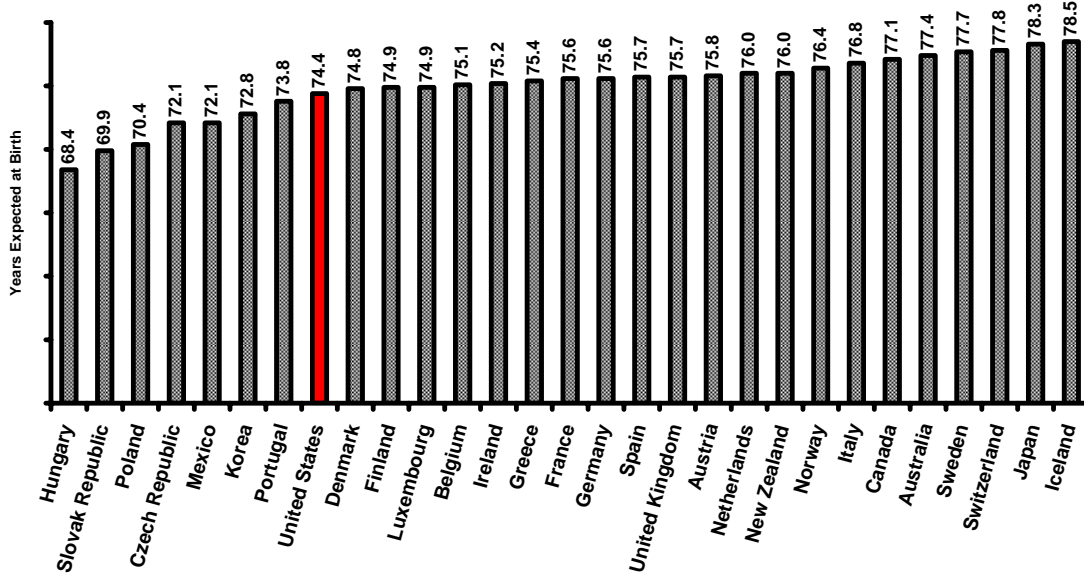
healthcare, the U.S. has a mediocre record on health indicators such as life expectancy and infant mortality.

The U.S. Ranks Low in Female Life Expectancy



Source: OECD Data for 2002

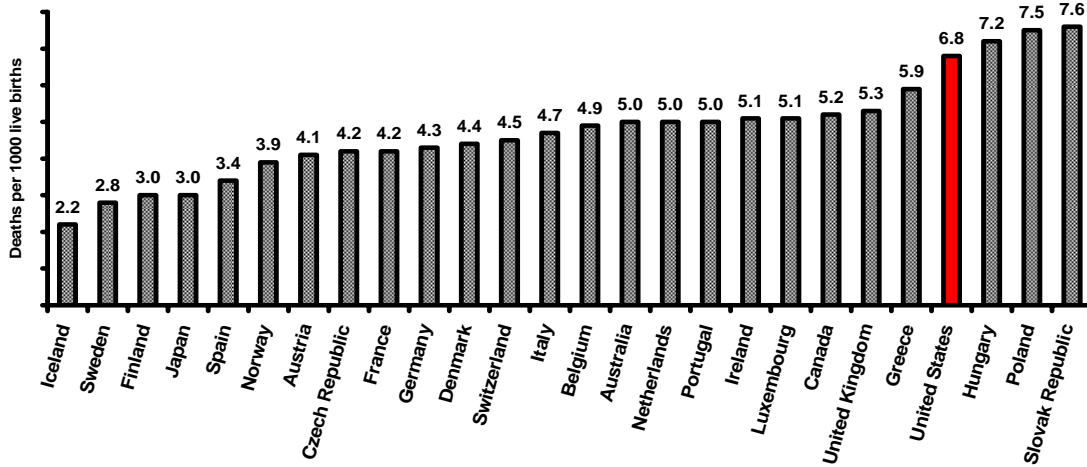
And Lags Behind in Male Life Expectancy



Source: OECD Data for 2002

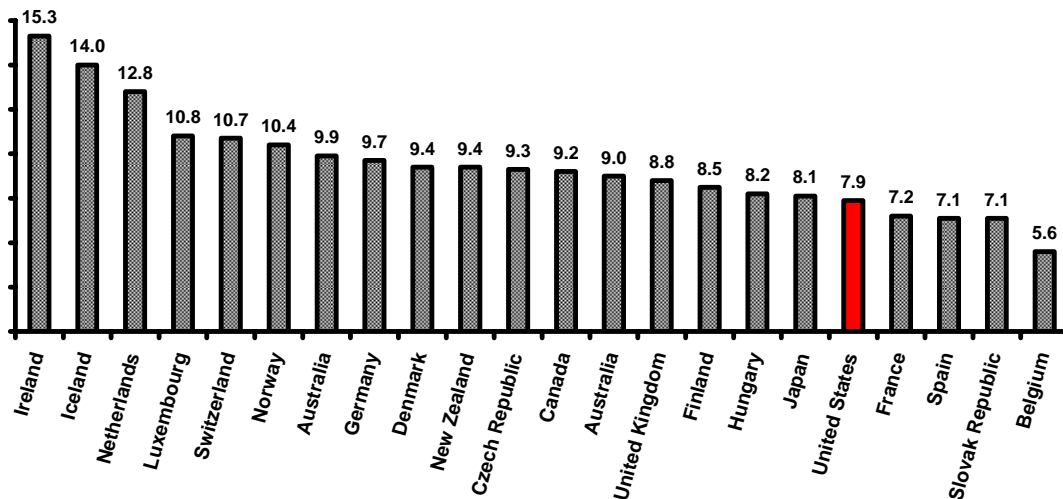
As the two previous charts show, the U.S. falls far behind most of the major economically developed countries in life expectancy for both women and men. Similarly, the U.S. record on infant mortality is far from stellar, as can be seen in the following chart.

Infant Mortality Ranks Very High in the U.S.



Source: OECD Data for 2002

The U.S. Ranks Low In the Number of Nurses per 1000 Population



Source: OECD Data for 2002

A final indicator that will be of particular interest to RNs is in the previous chart, which compares the number of nurses per 1,000 people in the population for each country.¹ Again, the U.S. ranks near the bottom.

Clearly, the U.S. has a troubled health system that is in need of reform. Whether meaningful change can take in the current political environment remains to be seen, but the outlook is not rosy for patient care.

¹ Note that these data are only roughly comparable, as each nation does not measure the number of nurses the same way; some include nurses other than RNs. Nevertheless, it does provide for an approximate comparison.