The US Health System
Introduction to the US Health System

Purpose: This brief provides an overview of the US Health System and a comparison to international health systems

Kaiser Permanente is distinct from the complicated and varied US Health System.

Kaiser Permanente’s integrated model provides a unique patient and care delivery experience unlike any other in the US healthcare system.
## Country Comparison

<table>
<thead>
<tr>
<th>Population (MM)</th>
<th>% spent on Healthcare as a portion of GDP</th>
<th>Spending on Pharmaceuticals per Capita</th>
<th>PCP Adoption of EMR (%)</th>
<th>Universal Healthcare</th>
<th>Private/public</th>
</tr>
</thead>
<tbody>
<tr>
<td>321.19</td>
<td>17</td>
<td>$1,112</td>
<td>84%</td>
<td>No</td>
<td>35% covered by government sponsored programs. 55% have private insurance. 9% are uninsured.</td>
</tr>
<tr>
<td>81.2</td>
<td>11</td>
<td>$741</td>
<td>84%</td>
<td>Yes</td>
<td>Statutory health insurance paid for by individuals and employers, based on ability to pay. 11% purchase supplemental private insurance.</td>
</tr>
<tr>
<td>23.4</td>
<td>9</td>
<td>$626</td>
<td>92%</td>
<td>Yes</td>
<td>Public insurance is funded by a 2% tax on employees and federal funding. 47% purchase supplemental private insurance.</td>
</tr>
<tr>
<td>5.5</td>
<td>5</td>
<td>n/a</td>
<td>n/a</td>
<td>Yes</td>
<td>Care is funded through taxes and individual savings accounts. Government controls and pays for the medical system and funds private providers to deliver primary care.</td>
</tr>
<tr>
<td>202.7</td>
<td>12</td>
<td>n/a</td>
<td>n/a</td>
<td>Yes</td>
<td>Care is covered by municipal, state and federal funding. 25% of Brazilians purchase supplemental private insurance.</td>
</tr>
</tbody>
</table>

* Healthcare Model

- **Universal Healthcare**: Yes
- **Private/public**: No
Key Developments in the US Healthcare System

1940s (World War II):
Wage and price controls are placed on American employers. To compete for workers, companies offer health benefits, giving rise to the employer-based system in place today.

1950s:
Tax incentives are given to employers offering health insurance plans further propagating the employer-based health system the US has today. Employees receive tax incentive by deducting employer-sponsored health insurance from taxable income.

1960s:
Boom in number of private health insurance (>700). In 1965, Medicare and Medicaid are created.

1980s:
Privatization and corporatization of healthcare, and consolidation creating large hospital systems

2000s:
Changing demographics (i.e. ageing population) raises doubts on the sustainability of employer-based health insurance and Medicare system.

2010:
Affordable Care Act enacted, including individual mandate to have health coverage; expanded Medicaid coverage; and subsidies provided to lower cost of health insurance.
Source of Insurance Coverage in the US, 2018

- **Government Sponsored Health Insurance**: 35%
  - Medicare – 65+: 14%
  - Medicaid & CHIP*: 20%
  - Military: 1%
- **Private Health Insurance**: 55%
- **Employer-Based**: 49%
- **Individual Coverage**: 6%
- **Uninsured**: 9%

Population Actual: 324M

Source data: Kaiser Family Foundation, [https://www.kff.org/other/state-indicator/total-population/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22desc%22%7D, 2018]. Sums do not total 100% due to rounding.

* Children’s Health Insurance Plan
US Health System

**Payment:** Predominantly fee-for-service, where doctors and hospitals get paid by volume of care.

**Access:** Patients can choose providers and hospitals within the network defined by insurance company. Majority of insurers do not require a primary care physician to oversee care.

**With Affordable Care Act,** all are eligible for insurance, regardless of existing medical conditions*. 9% are still uninsured. 5.4 million individuals lost employer-sponsored health insurance when they lost jobs as a result of COVID-19.

*undocumented immigrants excluded. Some residents are still unable to afford coverage.

**Quality of Care:** aside from Medicare Advantage programs, payments to providers and health plans are not based on quality. Quality measures for insurance plans are reported voluntarily to several nonprofit third-party accreditation agencies, like National Committee for Quality Assurance, Agency for Health Research and Quality.

Key Drivers of U.S. Health Care Spending

- Administrative costs account for 8% of total health care spending, compared with 1-3% for other countries.
- Per capita spending for pharmaceuticals was $1,443 in the U.S. and $466-$939 in other countries.
- Average salary for a general practice doctor was $218,173 here and $86,607-$154,126 in other countries.

The main drivers of higher health care spending in the U.S. are generally high prices — for salaries of physicians and nurses, pharmaceuticals, medical devices, and administration.

(Source: Harvard Global Health Institute)
Kaiser Permanente Stands Out within the US

Fully Integrated System, with key attributes that differ from most of the healthcare in the US, including:

- Hospitals and physicians are paid on a capitated basis.
- Physicians are salaried
- Hospitals are owned and are cost centers
- Fully integrated use of EHR (KP HealthConnect)
- Pharmacies are part of the integrated system

(EHR helps make adherence to formulary easy to do and cost efficient. Generic Drugs Use: KP 85% vs Industry Ave. 69%)

Emphasis on Evidence-based Medicine

Clinical researchers help define best standards of care. These standards are available to all care team members at the point of care.

Prevention and Quality

Through its integrated system, team-based, highly coordinated care, Kaiser Permanente leads the country in quality for chronic condition management and prevention. It consistently is ranked #1 for breast cancer and colon cancer screening, as well as controlling high blood pressure and lowering rates of heart disease.
JOIN KAISER PERMANENTE
New members: choose primary care physician and sign up for KP.org (online patient portal), transition medical record and prescriptions if needed to EHR. All medical information is accessible to all care team members through EHR.

VISIT DOCTOR
Patients seek care: at visit with care team, current condition and prevention opportunities are addressed.

REFER TO SPECIALIST
Primary care physician facilitates connection to specialists and oversees all care. Patients are supported by a team of health care professionals, including doctors, nurses, pharmacists, health educators and more. Care teams have access to the best evidence to support care pathways.

GET PRESCRIPTION
Patients can pick up medications at KP pharmacies or have them delivered at home.

ONGOING CARE MANAGEMENT
Care anywhere: 24/7 advice nurses and in-person, phone and video appointments are available for patients to manage emergent and chronic conditions. Patients receive reminders for prevention opportunities through patient portal. Emergency care is covered for members throughout the world, not only in KP locations.

Kaiser Permanente Patient Journey
Kaiser Permanente leverages integration for COVID-19 response

<table>
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<th><strong>Telehealth</strong></th>
<th><strong>Command Center</strong></th>
<th><strong>Research</strong></th>
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<tr>
<td>• Quickly increased virtual care to 80% of visits, with 90,000 visits per day</td>
<td>• Enabled efficient use of facilities and PPE</td>
<td>• Led the first clinical trial for a coronavirus vaccine</td>
</tr>
<tr>
<td>• Expanded mail order prescriptions from 29% to 61% during COVID-19</td>
<td>• Redeployed staff to boost telehealth, reducing infection risks from in-person care</td>
<td>• Participating in multiple clinical trials for treatments of COVID-19</td>
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<th><strong>Community Health</strong></th>
<th><strong>Facilities</strong></th>
<th><strong>Mental Health</strong></th>
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<td>• Provide grants to prevent and treat COVID-19 among the homeless population</td>
<td>• Helped reopen hospital to use as “surge hospital”</td>
<td>• Offered 2 digital therapeutic apps to support mental health, at no cost to patients</td>
</tr>
<tr>
<td>• Partner with State of California to fund $63 million for contract tracing</td>
<td>• Redeployed staff to boost telehealth, reducing infection risks from in-person care</td>
<td>• Created guide for schools to support mental health of students and teachers</td>
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