

# The Economics of Universal Healthcare: A Comparative Analysis of Healthcare Systems and Their Economic Effects

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**Abstract-** The provision of healthcare services stands as a cornerstone of societal well-being, with far-reaching implications for individuals and economies. This research paper aims to analyze the impact of universal healthcare on healthcare systems and their economic effects through a comparative analysis of different healthcare models. By harnessing the health data provided by the OECD, this study delves into a comprehensive analysis spanning from 2015 to 2022 with an emphasis on per capita healthcare expenditure at current prices and current purchasing power parities (PPPs). By investigating the provided data, this analysis offers insights into the trends, variations, and economic effects of universal healthcare systems.

*Keywords: Universal Healthcare, Healthcare expenditures, Fiscal sustainability, Healthcare financing, Comparative healthcare models.*

## I. INTRODUCTION

Universal healthcare, often referred to as national healthcare or single-payer healthcare, is a model that aims to ensure access to healthcare services for all individuals within a given country, regardless of their socioeconomic status. The World Health Organization defines universal healthcare as “ensuring that all people have access to needed health services (including prevention, promotion, treatment, rehabilitation, and palliation) of sufficient quality to be effective while also ensuring that the use of these services does not expose the user to financial hardship” [1].

The implementation of universal healthcare has been a topic of great interest and debate among policymakers, healthcare professionals, and the public in general. Critics of universal healthcare often raise concerns about system inefficiencies, including prolonged waiting times for patients, and potential limitations on medical entrepreneurship and innovation. For instance, in Canada in 2017, over a million procedures were estimated to be on waiting lists, with median wait times for arthroplastic surgery ranging from 20 to 52 weeks [2]. Advocates claim that universal healthcare can lead to improved health outcomes, reduced health disparities, and enhanced social justice.

Furthermore, proponents suggest that universal healthcare systems can generate economic benefits by reducing healthcare costs, improving workforce productivity, and promoting economic stability.

While several countries, such as Canada, the United Kingdom, Germany, and Australia, have successfully implemented universal healthcare systems, other nations rely on alternative healthcare models. These alternative models may involve a mix of public and private provisions or place greater emphasis on private insurance-based systems such as in the United States, Switzerland, and the Netherlands. Whereas, India and South Africa, as non-OECD countries and representatives of developing economies, exhibit unique healthcare systems shaped by their specific social, economic, and cultural contexts. These countries face distinct challenges in ensuring access to quality healthcare services for their populations, and their healthcare systems offer valuable insights into the complexities of healthcare provision in developing nations.

## II. REVIEW OF LITERATURE

The research paper “The Economics of Universal Healthcare: A Comparative Analysis of Healthcare Systems and Their Economic Effects” aims to explore the influence of universal healthcare systems on healthcare systems and the resulting economic ramifications. This topic has garnered significant attention in research and academic discourse. Therefore, this section offers a comprehensive overview of the current literature, emphasizing notable studies and findings pertaining to comparative analyses of healthcare systems and the far-reaching consequences of implementing universal healthcare.

Access to healthcare services is a critical aspect of healthcare system performance. Studies have examined the impact of universal healthcare on access to care and health outcomes. For example, Deaton and Tortora (2018) conducted a comparative analysis of healthcare systems in Canada, the United States, and France. They found that universal healthcare systems, such as Canada's, achieved higher rates of healthcare coverage and

reduced financial barriers to access, leading to better health outcomes in comparison to those in the US system.

In a 2022 study titled "Access to Health Services among Culturally and Linguistically Diverse Populations in the Australian universal health care system," Resham B. Khatri and Yibeltal Assefa highlight the importance of addressing multimorbidity and providing culturally appropriate health interventions within the Australian healthcare system. The authors emphasize the significance of strengthening existing health services by ensuring the availability of multilingual health resources and the provision of onsite interpreters. By incorporating these strategies, health systems can enhance accessibility and provide culturally sensitive care to culturally and linguistically diverse (CALD) populations, ultimately improving health outcomes and reducing health disparities in Australia.

The economic implications of universal healthcare have been a subject of significant interest. Studies have examined the impact of universal healthcare on healthcare expenditures, economic productivity, and fiscal sustainability. For instance, a study by Kruk et al. (2018) analyzed the relationship between universal healthcare and healthcare spending in low and middle-income countries. The researchers found that universal healthcare systems, when effectively implemented, can reduce out-of-pocket healthcare expenditures and protect individuals from catastrophic health expenses.

Furthermore, studies have explored the potential economic benefits of universal healthcare. For example, Reeves et al. (2017) conducted an analysis of the economic impact of universal healthcare in 35 low and middle-income countries. They found that universal healthcare systems can contribute to poverty reduction, economic growth, and improved labor productivity. The study highlighted the potential of universal healthcare to generate positive economic outcomes beyond the healthcare sector.

Implementing universal healthcare is not without challenges. Studies have examined the complexities and considerations associated with adopting universal healthcare systems. For instance, Hacker and Pierson (2019) analyzed the political obstacles to implementing universal healthcare in the United States. They highlighted the role of vested interests, ideological divisions, and historical legacies in shaping healthcare policy debates. They also emphasized the need for a comprehensive understanding of the political dynamics surrounding universal healthcare implementation.

The reviewed literature demonstrates the advantages of universal healthcare in terms of access, health outcomes, and cost containment. Additionally, studies have highlighted the economic benefits and identified challenges and considerations involved in implementing universal healthcare.

### III. METHODOLOGY

This research paper adopts a qualitative comparative analysis methodology, leveraging a comprehensive review of existing literature, empirical studies, and government reports. By examining case studies and utilizing extensive data provided by the OECD on developed countries such as Australia, Japan, Canada, the United Kingdom, Germany, and the United States, as well as developing countries like India and South Africa, this study aims to capture the diversity of healthcare systems and their corresponding economic effects.

### IV. COMPARATIVE ANALYSIS OF HEALTHCARE ECONOMICS

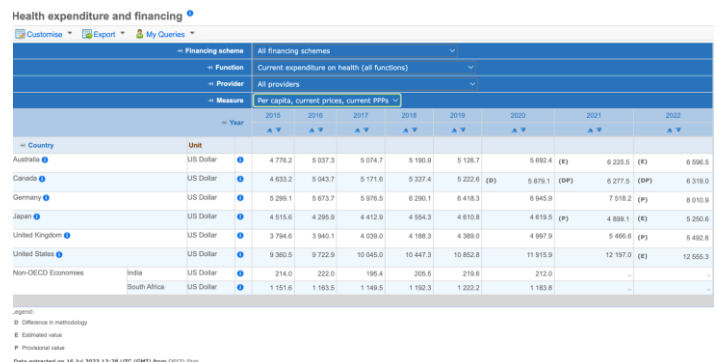


Fig 1: Health Expenditure & Financing of OECD and Non-OECD countries

Upon extracting healthcare data from the OECD, we can derive the following insights from our analysis:

#### Comparison of Healthcare Expenditure

The analysis reveals substantial variations in per capita healthcare expenditure across countries. The findings demonstrate the positive growth of healthcare expenditure over the years, indicating the increasing financial commitment to healthcare systems globally. The United States consistently exhibits the highest healthcare expenditure per capita, which has increased by 34.13% from 2015 to 2022, underscoring the significance of its healthcare system. Other countries have also witnessed an increase in healthcare expenditure per capita, with notable examples including Australia (38.1%), Canada (36.3%), and Germany (51.1%), representing some of the highest increments. Conversely, Japan experienced the lowest increase at 16.2%. Even though the growth rate is relatively modest, it demonstrates a consistent commitment to healthcare investments.

#### Country-specific Analysis

By examining the healthcare expenditure of individual countries, notable trends and growth rates come to light. Australia and Canada consistently demonstrate augments in per capita healthcare expenditure, indicating their commitment to providing quality healthcare services. Germany displays steady growth, with a significant rise in expenditure from 2021 to 2022. This indicates a robust commitment to healthcare financing, suggesting a proactive approach to maintaining and improving healthcare services. Japan's healthcare expenditure remains

stable, suggesting effective cost management within its healthcare system. The United Kingdom witnessed consistent growth with a slight dip in 2020, indicating potential challenges faced during the COVID-19 pandemic. However, the UK managed to increase its expenditure in 2022, highlighting the country's proactive approach to addressing healthcare needs and improving healthcare access for its population. Limited data availability for India and South Africa restricts comprehensive analysis, but it suggests moderate increases in healthcare expenditure.

#### *Regional Comparisons*

Comparing OECD economies to non-OECD economies, it is evident that OECD countries generally allocate higher per capita expenditure to healthcare. The United States, within the OECD group, consistently demonstrates the maximum healthcare spending. Despite having the highest healthcare expenditure per capita, this growth rate suggests a continued commitment to investing in healthcare infrastructure and services. However, it is worth noting that the US is the only remaining industrialized country without any form of universal access to medical services, in part because policy debates are driven by false, self-defeating beliefs [3]. Non-OECD economies, represented by India and South Africa, exhibit lower healthcare expenditure per capita, highlighting potential disparities in healthcare access and resource allocation.

#### *Overall Trends*

These findings further support the notion that countries with universal healthcare systems allocate resources to address healthcare needs, leading to economic growth. The positive trend in healthcare spending reflects a commitment to providing accessible and quality healthcare services, contributing to the overall well-being of the population and potentially boosting the economy through improved health outcomes and productivity.

## V. ECONOMIC EFFECTS OF UNIVERSAL HEALTHCARE

In their study titled "Impacts of Universal Health Coverage: Financing, Income Inequality, and Social Welfare," Xianguo Huang and Naoyuki Yoshino analyze the effects of tax-financed universal health coverage schemes on various macroeconomic factors. Their research considers characteristics typically found in developing economies, such as informal employment and tax avoidance. They suggest that individuals, who face income and expenditure risks, make decisions regarding their labor and consumption based on their age and education level. Universal healthcare coverage is represented by reducing the out-of-pocket ratio, as financing is a critical component of this model [4]. The out-of-pocket ratio represents the proportion of healthcare costs that individuals are responsible for covering themselves, typically through deductibles, co-pays, or co-insurance.

We will now scrutinize various factors, including healthcare expenditures, economic productivity, and fiscal sustainability in order to comprehensively evaluate the economic effects of this healthcare system.

#### *Healthcare Expenditures*

Research suggests that the relationship between universal healthcare and healthcare spending is complex and multifaceted. While some countries with universal healthcare systems may experience higher overall healthcare expenditures, these systems often provide more comprehensive coverage and reduce out-of-pocket expenses for individuals (Kruk et al., 2018). By pooling resources and leveraging bargaining power, universal healthcare systems can negotiate lower prices for healthcare services and prescription drugs, potentially leading to cost savings [5]. Moreover, universal healthcare systems have the potential to shift healthcare spending from more expensive treatments to preventive and primary care, which can yield long-term cost savings. By focusing on prevention and early intervention, universal healthcare can help mitigate the burden of chronic diseases and reduce costly emergency room visits.

#### *Economic Productivity*

Universal healthcare systems have been associated with positive economic effects, particularly in economic productivity. When individuals have access to affordable healthcare services, they are more likely to seek timely medical care, leading to better health outcomes and increased workforce productivity (Reeves et al., 2017). By promoting a healthier population, universal healthcare systems contribute to reduced absenteeism, increased labor force participation, and enhanced economic growth [6]. Furthermore, universal healthcare can alleviate the financial burden of healthcare costs on businesses and individuals, allowing them to allocate resources to other productive activities. Employers in countries with universal healthcare systems may experience reduced healthcare-related expenses, such as providing health insurance coverage to employees, enabling them to invest in business expansion and innovation.

#### *Fiscal Sustainability*

While the initial costs of implementing universal healthcare can be substantial, studies have shown that these systems can achieve long-term cost containment and fiscal stability. By consolidating healthcare financing and spreading the financial burden across the entire population, universal healthcare systems can achieve greater cost efficiency and reduce administrative costs associated with fragmented healthcare systems (Glied & Smith, 2017) [7]. Furthermore, universal healthcare systems can help control healthcare spending by implementing measures such as bulk purchasing pharmaceuticals, negotiating lower reimbursement rates with healthcare providers, and implementing cost-effective healthcare delivery models. By adopting these strategies, universal healthcare systems can achieve sustainable financing and reduce the overall burden on government budgets.

## VI. CHALLENGES AND TRADE-OFFS

In "Universal Health Coverage: An Economist's Perspective," legislative analyst Donald Hirasuna explores the various approaches through which the state can achieve universal health care. He suggests that it is important to recognize the inherent costs and benefits associated with implementing such measures.

According to Hirasuna, incomplete markets are a common occurrence where people desire goods or services that are not available at a price they are willing to pay. This raises the question of whether it is worthwhile to address these market limitations. When it comes to the public provision of healthcare, the key consideration is whether the benefits outweigh the costs. If the benefits are deemed greater, there may be a justification for implementing a public policy that ensures universal coverage. [8]

Some of the primary challenges and trade-offs that policymakers encounter when contemplating the implementation of universal healthcare include Financial Considerations, Political Complexity, Health System Capacity, Balancing Cost Containment and Service Provision, and Public Perception and Cultural Factors.

#### *Financial Considerations*

The initial costs of transitioning to a universal healthcare system, including infrastructure development, workforce expansion, and the establishment of administrative frameworks, can be significant. Policymakers must carefully assess the financial feasibility and sustainability of universal healthcare, considering the long-term funding mechanisms and potential economic implications. Trade-offs may arise in allocating resources between healthcare and other social or economic priorities, necessitating careful prioritization and budgetary decision-making.

#### *Political Complexity*

The implementation of universal healthcare often involves navigating complex political landscapes. Stakeholder interests, ideological divisions, and differing views on the role of government in healthcare can present significant challenges. Trade-offs may arise in compromise and the need to find a balance between different stakeholders' perspectives, potentially leading to modifications in the design or implementation of the universal healthcare system.

#### *Health System Capacity*

Expanding healthcare services to accommodate all citizens under a universal healthcare system can strain the existing health system capacity. A sudden increase in demand for healthcare services may lead to longer waiting times, overcrowded facilities, and potential strains on healthcare professionals. Trade-offs may arise in balancing the need for immediate access to care with the capacity limitations of the healthcare system, potentially necessitating phased implementation or prioritization of services.

#### *Balancing Cost Containment and Service Provision*

Universal healthcare systems must carefully manage healthcare expenditures to ensure fiscal sustainability. This may involve implementing cost-containment measures such as negotiating prices, controlling healthcare utilization, or adopting health technology assessments. However, trade-offs may arise between cost containment efforts and the potential impact on service provision, access to specialized care, or the adoption of new medical technologies.

#### *Public Perception and Cultural Factors*

Public perception and cultural factors play a significant role in the acceptance and success of universal healthcare systems. Cultural attitudes towards healthcare, the role of government, and individual responsibility can influence public support or resistance to universal healthcare reforms. Trade-offs may arise in managing public perceptions and cultural attitudes while implementing policies that align with the goals of universal healthcare.

## VII. POLICY IMPLICATIONS & LESSONS LEARNED

Examining the policy implications and extracting valuable lessons from comparative analyses of healthcare systems and the economic impacts of universal healthcare is essential. These are:

#### *Prioritize Access and Equity*

The findings from the research emphasize the importance of prioritizing access to healthcare services and promoting equity in healthcare delivery. Universal healthcare systems have demonstrated the ability to ensure access to care for all individuals, regardless of their socioeconomic status. Policymakers should prioritize policies that reduce financial barriers to healthcare, expand healthcare coverage, and address health disparities among different population groups. By focusing on access and equity, policymakers can contribute to improved health outcomes and social welfare.

#### *Implement Comprehensive Coverage and Preventive Care*

The research highlights the potential economic benefits of comprehensive coverage and preventive care within universal healthcare systems. Policymakers should consider including preventive services and primary care as essential components of universal healthcare. By shifting the focus towards preventive measures and early intervention, healthcare systems can reduce the burden of costly treatments and improve population health outcomes. Comprehensive coverage that encompasses preventive services can lead to long-term cost savings and improved efficiency within healthcare systems.

#### *Explore Cost-Containment Strategies*

Addressing concerns about healthcare expenditures is critical for the sustainability of universal healthcare systems. Policymakers should explore and implement cost-containment strategies that focus on negotiating prices for healthcare services, pharmaceuticals, and medical devices. Bulk purchasing, centralized administration, and the use of health technology assessments can help achieve cost savings and ensure the efficient allocation of resources. Promoting cost-effective healthcare delivery models and incentivizing value-based care can contribute to improved healthcare outcomes and financial sustainability.

#### *Sustainable Financing Mechanisms*

Sustainable financing mechanisms are vital for the successful implementation of universal healthcare systems. Policymakers

should consider various financing options, including progressive taxation, payroll contributions, and pooling of resources. Designing a fair and equitable financing system that distributes the financial burden across the entire population can contribute to long-term fiscal sustainability. Furthermore, policymakers should prioritize transparency and accountability in healthcare financing, ensuring that funds are allocated efficiently and effectively.

#### *Learn from International Best Practices*

Countries that have successfully implemented universal healthcare systems are a source of inspiration. Policymakers should analyze international best practices, case studies, and experiences to understand the challenges and opportunities associated with universal healthcare. Learning from successful examples, such as Canada, the United Kingdom, and Germany, can provide valuable insights into policy design, stakeholder engagement, and effective implementation strategies. Additionally, understanding the political dynamics and addressing potential barriers and vested interests is crucial for successfully and effectively adopting universal healthcare.

### VIII. CONCLUSION

This paper provides a comprehensive review of universal healthcare systems and their economic implications. Through a comparative analysis of different healthcare models and leveraging data from the OECD, this research paper offers valuable insights into various trends, variations, and economic effects of universal healthcare.

The findings from this study highlight the importance of universal healthcare in improving access to care, reducing health disparities, and promoting social justice. Universal healthcare systems have demonstrated the ability to ensure access to healthcare services for all individuals, regardless of their socioeconomic status. By reducing financial barriers and providing comprehensive coverage, these systems contribute to better health outcomes and enhance social welfare.

Analyzing specific countries provides further insights into the economic effects of their healthcare systems. For instance, Canada's universal healthcare system has demonstrated the ability to provide access to healthcare services for all citizens. The United Kingdom's National Health Service (NHS) is a prominent example of a universal healthcare system. It has shown success in providing comprehensive care and access to services. Moreover, Germany's healthcare system, which combines both statutory and private insurance coverage, demonstrates the potential benefits of a mixed healthcare model. It achieves high-quality care, extensive coverage, and efficiency. The United States, with its primarily private insurance-based healthcare system, faces unique challenges in achieving universal

healthcare coverage. High healthcare costs, disparities in access, and a large uninsured population remain significant issues. Lastly, India and South Africa's healthcare system faces significant challenges in providing universal access to quality healthcare services. Limited financial resources, a vast population, and regional disparities pose hurdles to achieving comprehensive coverage.

In conclusion, the research highlights the importance of evidence-based policymaking and the need to consider a holistic approach when designing healthcare systems. By prioritizing access, equity, cost containment, and sustainable financing mechanisms, policymakers can create healthcare systems that promote social welfare, improve health outcomes, and foster economic stability. The insights and policy implications presented in this research paper contribute to the ongoing discourse on universal healthcare and provide a foundation for informed decision-making in healthcare policy and future research endeavours.

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