A Comparative Analysis of French and US Healthcare Spending

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I. Introduction: A quick comparison

The United States:
- Spending: $8,246.8 per capita in 2010 (%17.2 of GDP)
- Coverage: 83.7% of the population covered (2010)
- Quality: life expectancy of 81.1 years (#35 in the world)
- 62.1% of 2007 bankruptcies due to high medical expenses.

France:
- Spending: $4016.10 per capita on health care in 2010 (11.7% of GDP)
- Coverage: 95% of the population covered
- Quality: Life expectancy of 85.7 years (#13 in world), rated “close to best overall healthcare” by the WHO in 2000
II. Literature Review


- Explanations for high costs in the US:
  - Poor budget setting, Le Grand (2003)
  - Low prices of pharmaceuticals abroad, Danzon and Furukawa (2003)
III. Research Question

- Why is healthcare spending so much lower in France than in the United States?

- Political, economic, and cultural implications.
IV. Research Design and Methodology

- Organization for Economic Cooperation and Development (OECD) compiles a vast database of information regarding health on its many member nations
- Analyze this data to see where France performs the best
- Hypotheses:
  - Lower Administrative Costs
  - Lower Pharmaceutical Costs
V.I Argument: In Which Area of Spending Does France Perform the Best?

**Difference in Expenditure Between the US and France in Different Sectors of the Health Care Industry (US PPP$)**

- Health administration and health insurance (private)
- General government administration of health
- Prevention and public health services
- Therapeutic appliances and other medical durables
- Pharmaceutical and other medical non-durables
- Expenditure on home health care services
- Services of long-term nursing care
- Out-patient curative and rehabilitative care
- In-patient curative and rehabilitative care
- Total Expenditure

![Graph showing the difference in expenditure between the US and France in different sectors of the health care industry.](image-url)
V.II Argument: Why Does France Spend Less on Outpatient Care?

- Outpatient: does not require overnight hospital stay

- Lower consumption?
  - 6.7 doctors visits per capita in France, 4.1 in US
  - Not consumption

- Quality?
  - France does better in life expectancy (85.7) and infant mortality (3.5/1000)

- What is it then?
V.II Argument: Why Does France Spend Less on Outpatient Care?

- Patients are charged less for procedures!
V.III Argument: Why are providers charging less?

- Most people say price controls.
- But is there more to the story?
- Physician salaries are much lower:
  - General Practitioner
    - France: $92,000
    - US: $161,000
  - Specialist
    - France: $149,000
    - US: $230,000

- Why do French physicians settle for less?
V.IV Argument: Two Culprits

- Two big differences between being a doctor in France vs. the United States:
  - Medical School (and undergraduate) tuition
  - Medical malpractice insurance
V.V Argument: Medical School Tuition

- US:
  - Time: 4 years undergrad + 4 years medical school + 3 to 7 years residency = 11 to 15 years of school/training
  - Cost: average $22,092/year undergrad, average $35,000/year medical school
    \[(22,092 \times 4) + (35,000 \times 4) = 228,368\]

- France:
  - Time: 2 years undergrad + 4 years masters + 3 to 5 years residency = 9 to 11 years of school/training
  - Cost: €183/year undergrad, €254/year masters, €388/year residency
    \[(183 \times 2) + (254 \times 4) + (388 \times 3 \text{ to } 5) = 2546 \text{ to } 3322 = 3488.53 \text{ to } 4551.80\]
V.VI Argument: Medical Liability Coverage

- France:
  - Government partially or wholly subsidizes premiums
  - Physicians at public hospitals insured through hospital
  - Private physicians must purchase coverage at premiums established by Bureau de Tarification

- US:
  - Annual premiums depend heavily on location and specialty
  - Internal Medicine doc in Santa Cruz, CA: $3,200
  - OB/GYN in Miami, FL: $201,808
VI. Conclusions and Implications

- Low costs in France are due to lower cost of production in the industry.

- It is far cheaper to educate and insure physicians, less of this cost is passed onto the patient in the form of higher prices.

- Further research:
  - Other factors that keep production costs high in the US:
    - Training of nurses, maintenance of hospitals and private practices

- Politicians and reformers: start thinking about how education reform impacts healthcare!