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HEALTH CARE IN FRANCE AND THE UNITED STATES: LEARNING FROM EACH OTHER

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The health care systems of both France and the U.S. face crises of unprecedented scope. Both countries possess large and growing elderly populations that threaten to push the pace of health care price increases even higher than their already faster-than-inflation rates. Observers in both countries fear that outlays for increasingly expensive medical treatments and technologies will wreak havoc on public spending priorities. In the U.S, unchecked health care inflation will imperil Medicare and Medicaid, spur ever-larger federal budget deficits, and push up the embarrassingly large number of Americans without any medical insurance at all. In France, already insufficient resources have spurred strikes and demonstrations by doctors, while health care price hikes endanger that country's commitment to its European partners to maintain low budget deficits. A delinquent performance by France could place the entire project of European Monetary Union in peril.

Beyond these impending crises, American and French health care systems share several fundamental principles. Nonetheless, a World Health Organization report published in 2001 found that France has the best overall health care system among the 191 countries surveyed while the U.S. ranked 37th behind virtually all European countries as well as Morocco, Oman, and Costa Rica. Several factors explain the differences in the rankings of France and the United States. The most prominent factor was the large number of Americans whose access to care is limited because of their lack of health insurance—estimates range between 39 and 43 million. Despite this lack of coverage, America still spends far and away the most on its health care system at 13.7% of GDP while France spends 9.8%, placing it in the fourth position.

World Health Report Rankings for France and the United States¹

	<u>France</u>	<u>U.S.</u>
Disability-Adjusted Life Expectancy	3	24
Distribution of Health in the Population	12	32
Fairness in Health Care Financing	6	54
Responsiveness	16	1
Health Care Spending per capita	4	1
Overall Rank	1	37

The WHO rankings, however, do not mean that the French system is unequivocally superior to the American. In fact, both systems could profit from an understanding of the other's strengths. Toward that end, this analysis paper compares the health care systems of both countries and assesses how they can learn from each other in order to deal with their impending health care crises.

The Health Care Market

The health care market suffers from several inherent imperfections, which have motivated government intervention in both the United States and France. Many of the very young, chronically ill, and aged could not obtain medical care if it were not for government sponsored assistance or insurance. In order to remedy market imperfections and improve access to quality medical care, governments have generally taken one of two approaches: a *national health service* or the promotion of *health insurance*. Great Britain possesses the archetypal national health service (NHS); everyone has access to medical care from providers whose remuneration flows largely from the government budget. Health insurance also socializes the demand for health care by grouping consumers in order to spread risk and cost. Although the U.S. system relies much more heavily on private insurers, health insurance in both France and America is closely tied to one's employer or socio-professional category. This basic similarity is joined by other fundamental principles, especially in regard to the freedom of medical practice and patient choice.

Similarities: The Ideal of Private Medicine

As in the U.S., autonomous physicians dominate ambulatory health care in France. Patient choice of physician, direct access to specialists, patient payment of fees (with subsequent reimbursement), physicians' freedom of diagnosis and prescription, fee for service, and ultra-high levels of medical confidentiality remain well-entrenched features of French medicine. Also like in the U.S., French workers and their employers pay for the bulk of their medical care through premiums assessed on gross wages. French employers and their employees pay wage levies of approximately 20%; employers contribute 13% and workers 7%.²

¹ World Health Organization, *World Health Report 2000*, Statistical Annex, pp. 152-155, 21 June 2001.

² Jean de Kervasdoué, ed., *Le Carnet de santé de la France en 2000* (Paris: Fédération Nationale de la Mutualité Française), 2000, pp. 71-73. A new tax, the Contribution Sociale Généralisée (CSG) has accounted for an

Simple comparisons with U.S. expenditures are difficult because of the wide array of medical insurance plans whose premiums vary considerably according to firm size. Also, U.S. health insurance is priced not as percentage of wages, as in the French case, but in flat dollar premiums. A large employer, such as the state of Arizona, that provides coverage that approximates French medical insurance—pays \$9,348 per year for each enrollee with dependents and leaves \$1,704 per year to the employee. Hence, for a moderate-income earner (\$40,000 annually), medical insurance costs are significantly higher than the French case—approximately 27% of gross wages.³

In France, insurance premiums flow into one of several quasi-public insurance funds that are jointly administered by employer and employee representatives. These insurance funds negotiate national medical fee schedules with the leading French physician associations. These *conventions*, as they are called, form the basis of physicians' remuneration. Although over 25% of French physicians charge fees above the *convention* rates, their patients' reimbursement—usually 70% of expenses in ambulatory care—is tied to it.⁴ Thus, as in the U.S., where private insurers and Medicare employ “normal and customary” fee schedules to determine payments to physicians, French doctors' fees are ultimately constrained by insurers' willingness to pay. It was for changes to the *convention* that French doctors recently rallied successfully in Paris.

France also possesses a significant private not-for-profit and for-profit medical insurance sector (over three hundred companies) that, while competing against each other, work in complementary fashion with the quasi-public insurance funds. Indeed, fully 84% of the population benefits from supplementary insurance coverage that pays all or part of the medical fees that are uncovered by their health insurance fund. In 1996, these supplementary providers financed 12% of all health care expenditures while 13% of what Americans would term deductibles or co-payments was left to households.⁵

U.S. private insurers account for nearly three times the share of total expenditures than their French counterparts do (35% versus 12%) and Americans pay more out of their own pockets than the French (17% versus 13%) for personal health care spending. The federal and state governments in the U.S. play a substantial role in health care, mostly through Medicare and Medicaid (43%). But even this large fraction is dwarfed by France's quasi-public insurance funds, which account for almost three-quarters of total health care spending.

increasingly large portion of health insurance payments since 1997 while the traditional insurance premiums have been reduced.

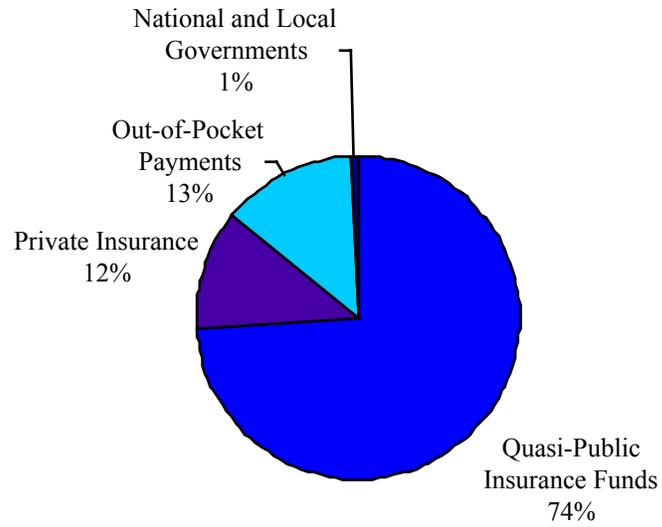
³ James C. Robinson, “Renewed Emphasis on Consumer Cost Sharing in Health Insurance Benefit Design,” *Health Affairs*, 20 March 2002, pp. W139-W154.

⁴ Zeynep Or, OECD, Labour Market and Social Policy Occasional Paper no. 57, “Improving the Performance of Health Care Systems: From Measures to Action (A Review of Experiences in Four OECD Countries),” 25 January 2002, p. 31.

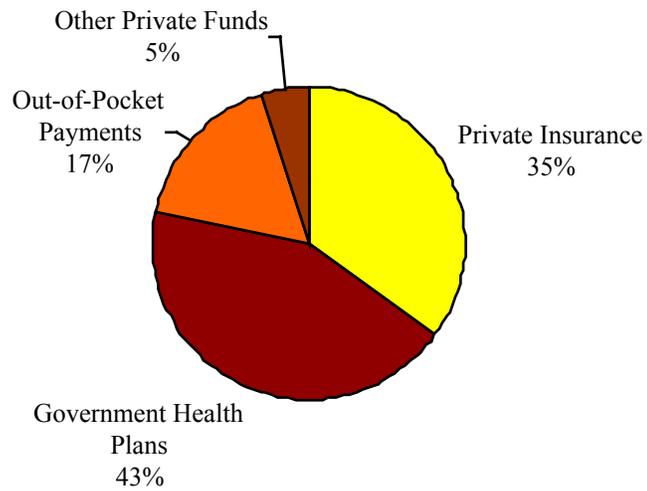
⁵ Jean de Kervasdoué, ed., *Le Carnet de santé de la France en 2000*, note, pp. 89-90.

Distribution of Funding Sources for Personal Health Care

France



United States



Source: Jean de Kervasdoué, ed., *Le Carnet de santé de la France en 2000*, note, p. 89; Blue Cross Blue Shield Association, *Medical Cost Reference Guide*, p. 30.

Differences: Doctor Pay, Managed Care and Access

Medical practice and health care in France and the United States are also marked by deep differences in hospital practices, efficiency, and access to preventative and curative care. French hospitals lie mostly in the public sector and their physicians, about one third of the country's total, are salaried. As in the U.S., regional medical centers are closely associated with medical education and research, and therefore benefit from the relatively low-paid services of interns and residents.

The French health care system is one of the most expensive in the world and cost containment is an imperative for the government and insurers alike. Yet French costs remain far outpaced by the U.S. France spends \$2,047 per capita on health care compared to America's \$4,095.⁶ One of the major factors behind the relative expense of the U.S. system is the higher earnings of health professionals. The average American physician earns over five times the average U.S. wage while the average French physician makes only about two times the average earnings of his or her compatriots. That said, French physicians have remained more firmly attached to fee-for-service medicine, albeit at lower rates, than their American colleagues and continue to enjoy a very high level of prescriptive freedom. Their services are prospectively approved for payment through the national *conventions* and are rarely questioned by insurers. This is in great contrast to the increasingly strict post-service payment reviews that American doctors face from American insurers and Medicare.

The relatively low income of French physicians is allayed by two factors. Practice liability is greatly diminished by a tort-adverse legal system and medical schools, although extremely competitive to enter, are essentially free. Thus, French physicians enter the market with little if any debt and pay much lower malpractice insurance premiums.

Different strengths in efficiency also distinguish the American and French health care systems. The development of managed care providers in the U.S., especially since the late 1980s, resulted in a rapid spread of productivity enhancement measures throughout American health care. The French have been slow to apply such measures. Many French practitioners view the new productivity measures as a threat to their prescriptive freedom and have hampered a thorough implementation. Also, the new techniques require computerized information gathering and processing systems, an area where French health care lags well behind the U.S.

French medical confidentiality law has also proven a significant impediment to productivity improvements because it constrains the sharing of information between providers and insurers. Finally, French health care consumers are extremely attached to calling directly at a specialist's office. To date, the establishment of gate-keeping primary care doctors has achieved only limited success. (The rapidity with which American HMOs put an end to this practice for millions of Americans without provoking a revolution boggles the French mind.)

⁶ Purchasing Power Parity (PPP) dollars. See Jean de Kervasdoué, ed., *Le Carnet de santé de la France en 2000*, p. 62.

At the same time, the French system exhibits enviably low administrative costs: 5% of total expenditures versus 14% in the U.S. U.S. physician fee increases are increasingly driven by doctors' efforts to recover office personnel and non-physician payroll expenses, which have risen at a compounded annual growth rate of 7.1% since 1986. These increases far exceed hikes in liability insurance premiums (3.5%) and medical supplies (1%) during the same period.⁷ Although numerous, French insurance funds adhere to a nationally standardized billing and reimbursement procedure. This practice, along with the fact that physicians' services are pre-approved for payment through the national *convention*, permits French medical offices to operate with relatively few administrative personnel.

Access constitutes the most striking difference between the American and French health care systems. 16% of the U.S. population lacks health insurance altogether and many possess insurance with such high deductibles that they forego medical needs for financial reasons.⁸ A large number of uninsured puts additional strains on a health care system. In order to recuperate the costs of uncompensated care, providers raise the price of services for the insured, thereby creating a vicious cycle, since higher insurance premiums ultimately lead to more uninsured patients. One needs to return to France of the 1960s to find America's current rate of un-insurance. 99% of the French population obtained health insurance by 1980, either through the above-mentioned work-related insurance funds, as a dependent of an insured person, or through special insurance funds for the unemployed. A 2000 law extended coverage to the remaining 1% who somehow fell between the cracks of these health insurance funds.⁹

Learning from Each Other

Despite important differences, the American and French systems share several common principles that should allow for a continued exchange in policy approaches. French insurers and state officials should cultivate an inexhaustible appetite for the latest management and technical methods of American managed care providers. French physicians' recent street demonstrations make clear that France's health care system is over-reliant on the blunt instrument of holding down doctors' fees. Meanwhile, American policy makers would do well to take note of France's successes, especially in the reduction of administrative costs of insurance and the country's achievement of universal coverage.

Breakthroughs in medical science and pharmacology have made possible dramatic improvements in health in France and the United States. But those improvements remain in peril without an effective containment of rising medical costs, especially as populations age and require more and increasingly expensive medical care. Under these stresses, a health care system will depend on the achievement of cost containment, efficiency of delivery, and equity of access. The simultaneous mastery of these three inter-related objectives will be critical to the health and

⁷ Blue Cross Blue Shield Association, *Medical Cost Reference Guide*, 2001, p. 19.

⁸ John Holahan and Mary Beth Pohl, "Changes in Insurance Coverage: 1994-2000 and Beyond, *Health Affairs*, 3 April 2002. Also see Bradley C. Strunk and Peter J. Cunningham, "Treading Water: Americans Access to Needed Medical Care," Center for Studying Health Care System Change, Tracking Report 1, March 2002, p. 3.

⁹ Jean de Kervasdoué, ed., *Le Carnet de santé de la France en 2000*, p. 76.

prosperity of all. The U.S. and France each possess wisdom that could aid the other in the challenges that lie ahead.