Group of Twenty

Research Report
The Question of:
Managing the rising cost of health care in industrialised countries

Introduction

The rising cost of health care has become a great burden on finances for many families. Health care is a privatised sector in many nations, therefore the government has little to no influence on this sector. The price of health care is to the discretion of the pharmaceutical companies. Like all other private companies, the pharmaceutical companies are profit driven. This makes prices of health care subject to the ancient term supply and demand.

Many chronic illnesses have become more frequent in the past years. It is these illnesses that are the hardest and most expensive to treat. An ageing population and a change in societal behaviour are most prevalently contributing to the increase in these common long-term health problems. Chronic illnesses are suspected to rise to 57% by the year 2020.

The increase of health care prices causes people to put their health in danger in virtue of finances. One in four people with chronic illnesses, such as diabetes, cut back on their prescription medication, which causes their condition to worsen. One in three people postpones follow-up care, which leads to further health problems down the road. Many people are also forced to take on extra work to be able to pay their medical bills.

The Committee

The Group of Twenty is an international forum consisting of the world-leading industrialised nations. In total, the Group accounts for 85% of the world GDP and two-thirds of its population. Much of the important discussions are held on the sidelines and in informal meetings.

The Group of Twenty was established in December 1999 in Berlin, Germany as a meeting between finance ministers and central bank governors hosted by the German and Canadian ministers. Originally the G20 meetings were solely for finance ministers, however, after an inaugural meeting between G20 leaders in Washington DC as a reaction to the collapse of the Lehman Brothers in 2008, leader's summits became an annual event.

The chairmanship rotates annually between the party states; the country that holds the presidency gets to invite additional nations who are not a party state. Throughout LEMUN, the guest delegations in the G20 will have the same rights as a normal delegation, except for their vote which is only advisory.

Definition of Key Terms

Universal health care

> All people and communities are able to use the promotive, preventive, curative, rehabilitative and palliative health services they need, of sufficient quality to be effective, while also ensuring that the use of these services does not expose the user to financial hardship.

Privatised Health Care

> Medical institutions are responsible for the innovation and execution of medical procedures. Government have no control over the health care provided. The quality and price of health care services are to the discretion of the medical institutions.

General Overview

Health has been a number one priority throughout human history. It has only been since recent years that humans have been able to successfully majorly prolong human life, in conjunction with providing people low life expectancy due to genetic abnormalities, such as down syndrome, a far higher life expectancy. For example life expectancy of people with down syndrome has risen from 12 in 1912 to 60 this day in the developed world.

Universal health care

Universal health care provides quality medical services to all citizens. The government offers it to all its citizens regardless of their ability to pay. The cost of providing quality health care is a large expense for governments, therefore it is mostly funded by general income taxes. Some countries mandate everyone to buy health insurance. Some countries also have both these systems in place.

An advantage of universal health care is that the government control the price of medication and medical services by negotiation and regulation. Moreover, it forces hospitals to provide the same standard of health care at a low cost. Whereas in a competitive environment like the USA doctors offer more expensive services. They target the wealthy to be able to get a higher profit, which leads to an increase in prices overall.

A sensitive disadvantage of universal health care is that it forces healthy people, who will not need this service often, to pay for others' medical care. The sickest 5 per cent take up 50 per cent of the total cost, whereas the healthiest 50 per cent takes up 3 per cent of the total cost. Moreover, it provides less room for doctors to innovate within their expertise and less focus on rare conditions. Health care will mostly be pointed towards basic and emergency health care.

Privatised health care

Privatised health care provides medical institutions with the financial space and incentive to innovate their procedures. These institutions are driven to develop new and better procedures, seeing that they will be able to ask a higher price for these ground-breaking procedures. This

quality health care is targeted towards the rich and powerful whilst the majority of people will be saddled with great debt.

An advantage of privatised health care is that all doctors are forced to develop more and more ground-breaking procedures to be able to charge their extremely high prices. They invest a lot in innovation, even though this is always driven by profit hunger. Whereas in countries with universal health care university research institutions are the main innovator.

A disadvantage of privatised health care is that the quality health care is only accessible to the rich and powerful, whilst many middle-class families have to take on great debt or work extra jobs to be able to pay their medical bills. Many people postpone doctor visits or take less of their life-saving medication to reduce the cost. Evidently, this is a very backwards system seeing that the institutions that are supposed to improve people's health actually worsen it.

Impact of high health care cost

Not only does high health care cost worsen people's health it also causes many people to be saddled with a great financial burden. Many families who have been able to maintain a middle-class lifestyle during their working days will not be able to maintain this after they retire and are in need of medical assistance. Many of these people will be forced into poverty and will not be able to provide for their own care. This causes many people to help with the health care cost of their parents. This even further burdens middle-class families.

It has an even greater impact on lower-class families. Where middle-class families are able to take on debt or dip into their savings, lower-class families are not. They are in many cases not able to use health care institutions at all most simply because they do not have the financial means to. In many cases people will not get the medical procedures they need, which causes their conditions to worsen. This also decreases their life expectancy.

Major Parties Involved

European Union (EU)

The member states of the European Union (EU) mostly have a universal health care policy in place. It is also these nations that have the best health care and the healthiest population. European Council has not focused especially on health care; however, it has provided a structure whereupon European Nations are able to ensure good and affordable health care for their citizens in all members states. In many ways are many European nations a prime example of the success of universal health care.

United States of America (USA)

The United States of America (USA) has a privatised health care sector. In many ways is the USA a groundbreaker for new research or medical findings, however this research and findings are mostly for the rich and powerful. For many families medical cost are a great burden on their finances, this is also why many people postpone doctor visits or cut back on life-saving medicine in order to keep costs down. However, this most evidently creates solely more health problems. As a

response to this Obamacare was instated, which helped many families with the costs. Nevertheless, this policy has too many exceptions to be called an universal health care in conjunction with the cuts to it made by President Trump fewer people have been able to this, sometimes life-saving, policy.

Timeline of Events

Date	Description of Event
1883-85	Otto von Bismarck introduces multiple laws in Germany that became the groundwork for universal health care as we know it today
1912	Norway becomes the first nation with universal health care
2004	The European Union issued the European Health Insurance Card, that gave the holder the right to be insured and treated in all EU-member states and European overseas territories
2010	The Affordable Care Act was adopted by US Congress, nicknamed Obamacare

Previous attempts to solve the issue

There have been many previous attempts to solve this issue and in many European nations these attempts have been successful. Many European nations have been able to put a successful universal health care policy in place. However, not all nations have put in place such a policy. In many of these nations a great objection has been the great cost of such a policy and the healthy people, who have to pay for the sick while almost never benefiting themselves. Many people also believe that the government has no right interfering with their health care. This has caused many incentives to fail.

The Future

The consequences of rising health care cost are evidently noticeable right now. This already worrisome foundation opens up the possibility of this issue becoming an irreversible epidemic. Quite well described as the snowball effect. Due to the competition between the high-priced doctor's procedures with higher prices than ever before will be implemented, causing the need for other doctors to even better this procedure.

The greatest problem that will be faced is absolute exclusive health care, only available to the elite. The prices will rise disproportionally making health care a luxury product, which causes insurance to be unaffordable by even middle-class families.

Important decisions a resolution must take

The important question is that of government interference in health care, especially government interference in health care prices. To what extent may the government control health care prices, are they allowed to demand professionals are to charge less for their services? The same goes for insurance. Are governments empowered to force people to insure themselves, are governments empowered to ask for healthy people to pay for the sickest minority. These two subjects are the main objectives to universal health care on must tackle these to see how a universal 'universal health care' could be implemented.

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