



What Americans Can Learn from Israel's Universal, Flexible, and Cost-Efficient Health Insurance System

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With the exception of the United States, nearly all developed, industrial countries in the world provide universal health coverage. Most of these programs are created through compulsory, government-subsidized insurance plans. Why is the United States different? And how might the United States create a system that provides greater coverage for its citizens? One approach to answering this question is to look at Israel.

Health care in both the United States and Israel includes a mix of public and private elements, and both health systems rely on a combination of competition and regulation to influence quality and costs. Despite these commonalities, on average, a middle-income family in Israel pays \$3,096 per year for health care, where the same family in the United States would pay \$8,724 for a similar level of care. In Lynchburg, Tennessee, for example, a 35-year-old, self-employed woman who takes home \$39,000 a year pays \$7,100 in taxes per year, but she is one of the nine million Americans in the individual market who do not have their plans subsidized by the government. Furthermore, this year Tennessee's state insurance commissioner approved premium increases from 21% to 42% for the three companies that are lined up to sell insurance on the Obamacare exchange. These premium increases will translate to an increase in individual patient costs of \$1,500 to \$3,000, not including deductibles or copays.

Clearly, the United States can do better for all citizens, including the woman in Tennessee. Israel's experience with both public and private insurance and standardized insurance packages might offer some creative solutions.

The Health Care System in the United States

In the United States, policymakers feel pressure to maintain social insurance programs while spending fewer taxpayer dollars on health care. To resolve this, many policymakers have turned to the private sector to supplement the relatively low levels of government involvement. Health care in the private sector has been able to reap high levels of profit and escape a lot of government regulation. Most health care services come through private facilities and are funded by private insurance or paid directly by the patient.

The private sector shaped the early development of the U.S. health insurance system in the early 1930s via hospital service plans, while the two major federal government health insurance programs, Medicare and Medicaid, did not develop until the mid-1960s. The Affordable Care Act passed under President Obama's administration in 2010 aimed both to extend Medicaid and fill in remaining gaps in health insurance by requiring most Americans to purchase private plans.

Lessons from the Israeli Health Care System

Aside from the lower costs of health care in Israel, there is a clear resemblance between the U.S. and Israeli systems. Both spend less than 15 percent of their national gross domestic product on social programs other than health. And both the Israeli and American welfare states have experienced a major decline in collective protection – which means citizens confront a widening gap in protections against important health risks. Despite these similarities, Israel has – surprisingly – managed to create and maintain a comprehensive healthcare system that is funded, in large part, by the government.

One of the myths preventing the United States from adopting a publicly-funded healthcare system is the perception that universal public coverage is more expensive than a system of partial or selective coverage. However, the Israeli health system, like other industrialized countries, has reduced per-capita costs. Some

argue that comparing large democracies such as the United States to small countries like Israel is like comparing apples and oranges, because small countries offer fewer options to citizens. However, there are many options in Israel's healthcare system. Israelis can choose from among four competing, publicly-funded, nonprofit insurance providers that offer a broad package of benefits prescribed by law.

Much like America's Medicare Advantage system, which enables beneficiaries to enroll in private plans that meet strict standards, Israel has supplemental health insurance options that aim to expand services offered to beneficiaries. Israelis can also choose to enroll in private health plans provided by private health insurers, but most of the services are already covered by basic and supplemental publicly offered plans.

The overarching lesson from the Israeli case is that it is possible to create a universal, publicly-funded healthcare system with multiple options – and reduce government expenditures at the same time.

Why Universal Health Care Makes Sense for the United States

As the Israeli case reveals, it is possible to reduce prescription drugs costs and create more efficient medical services in a universal governmentally structured health insurance system. The benefits the United States would reap by reducing health care costs in a universal health system could offset the higher taxes required to fund this public system.

Lessons from Israel – an allied country to which many Americans have ties – might reshape Americans' views of health care coverage and possibilities for reforming it. Polls show that most Americans are not aware of the actual costs of their health care, including the reductions in their wages and sky-high deductibles they experience. Learning from other countries, including Israel, may be one way to foster greater awareness about health insurance options. In the end, health care should be reconceived as a publicly offered benefit, with various options, designed to protect people from economic ruin.

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