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## July 5, 2005

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Ambassador's Corner

### WEEKLY MESSAGE FROM AMBASSADOR JOHN BRUTON

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Apart from preserving peace, the biggest political challenge facing the United States and the European Union countries in the next thirty years will be providing appropriate

healthcare for their people, in ways that do not cripple economic growth. Healthcare could become a political battleground between generations, with older generations seeking to preserve or expand healthcare entitlements while younger ones may be reluctant to meet the costs of this out of increased taxation or insurance contributions.

Europe and America are spending more and more on healthcare. For example, in the 1960 to 2002 period, the annual increase in medical care costs in the US exceeded the growth in US GDP by 2.7% a year. This trend is also present in

Europe, although not quite as strong.

While life expectancy has not increased that much as a result of this extra healthcare spending, the quality of life (especially for the elderly who might otherwise be bedridden or confined) has dramatically improved. But as people get more prosperous, they do make increased rather than reduced demands on the health service.

It is not surprising therefore that the United States spends proportionately about one-third more on health care than do the European Union countries. This extra US expenditure is, to some extent, driven by advertising. \$5.5 billion a year is spent here advertising pharmaceuticals, whereas similar adverts are almost entirely absent from television screens in Europe.

The United States is a world leader in pharmaceutical Research & Development (R&D), which is a benefit to the whole world, although much more of this R&D probably goes toward the afflictions and aspirations of the affluent (who can afford to pay), than toward diseases of the poor. Meanwhile, some poor countries cannot even deliver basic health services because their skilled nurses and doctors have been attracted away by higher salaries in wealthy countries.

In the United States much of the cost of healthcare is borne by employers who collectively insure 63% of the non-elderly population. Only 6% of health insurance is individually purchased in the US. But forty-three million people are not covered by health insurance at all. The National Academy of Sciences estimates that eighteen thousand adults die each year in the US because they are uninsured and cannot get proper care.

Health insurance costs for employers increased by 11% in the last year alone and this is a real disincentive to employment creation. Employers in Europe face similar problems.

As the work force ages, the incidence of illness is likely to increase and so too will health costs. This will be the case whether these costs are met by taxation or by insurance contributions.

Preventive medicine and lifestyle improvements can make a big difference, but there is little short-term financial encouragement for an individual to do anything about them. The debate about

obesity is beginning to highlight this.

There is urgent need for a transatlantic dialogue on health costs, on whether and how health services may have to be rationed or prioritized, and on how to incentivise preventive medicine. We can learn from one another. We face the same difficult challenge on both sides of the Atlantic!

Please send me your comments about this or any of my weekly messages, or

other EU matters. I look forward to hearing from you!

John Bruton