

Correction Guide for Exam - "The Danish Welfare Model", December 2020

Indicative answers

Question 1.a

In Denmark, there is easy and equal access to healthcare services from typically a public healthcare service that is financed through general taxes. The general practitioners are gate keepers and visits patients further according to the principle of solving the health tasks at the lowest possible administrative level. This will result in low healthcare costs, but also a risk of waiting in line.

Since the structural reform of 2007, healthcare has been organized in three levels, the state that finances most services, and which sets overall policies, priorities and initiates new initiatives such as the cancer package, the heart package, etc. The regions that perform the tasks in hospitals and clinics and in the municipalities who takes on the role of reablement, training, rehabilitation and care, but has also taken over a number of treatment tasks. Health agreements are drawn up between regions and municipalities every year, and the municipalities co-finance hospital stays.

In the United States, the health care system is based on the insurance principle, it is typically private or self-govern, and financed by co-payment or payment to insurance policies, often agreed with the employer in connection with the conclusion of employment contracts.

However, there are exceptions: Medicare a state insurance for the elderly over 65 or medic aid, for low-income groups, veterans, etc. More than DKK 50 people remains outstanding. 25 mio. Americans, however, are covered by the ACA, since 2014, but there are still 8% of the population or 27 million. not covered by a health insurance. There is great inequality, and many are left without help and treatment.

Question 1.b

The US system leaves 8% without cover, while in Denmark all inhabitants are included. The "actuarial" American system may limit treatment and ceiling on the cost of treatment. Medicare and Medicaid that are poorly covered for healthcare go to 35% of the population the rest are covered by health insurance with employers or through ACA

1. c.

There is a big difference in the expenditure burden of healthcare in the two countries. Measured to GDP, expenditure is 18.5% in the USA but only 11.5% in Denmark. Measured by GNI, Denmark is even lower. The OECD average is 8.8%, so both countries are well above the Western world economic club of over 30 nations.

The main reason for the difference is that rising income often results in stronger growth in health demand and thus in health expenditure. (the income elasticity is above 1, or you might say that the expenses for health care has a higher growth rate than GDP.) And the USA is higher than the OECD average in GDP per capita and higher than Denmark. Nevertheless, the OECD has calculated that the United States is higher than expected. Here it comes into the picture that the American pharmaceutical market is far less regulated than the Danish one, which results in higher drug prices in the USA. The entire insurance model in the United States is a complex administrative system that provides higher total costs.

The salary level is higher than in Denmark, especially for doctors. In Denmark, education and SU are paid for by the state, where the graduates after the education do not have such large debt obligations to repay, whereas in the USA, the graduates are left with the large debt due to high tuition costs and living costs,

Perhaps you can also think that there is a lot of cost distortion where unnecessary treatments are used for various reasons.

2.a

The purpose of the 2006 reform and its acceleration in 2011 was to create a structural change in the Danish economy due to the structural development in the demographic with more older people and fewer people expected in the labor market. Maintenance costs per person in the labor market had to be expected to increase in the future.

Therefore, it was decided to increase the retirement age in early retirement and the national public pension. For the public pension, the retirement age was 66 years today and 68 years in 2021. A newborn must expect to receive a public pension when she is 74 years old. This should increase the labor supply among the elderly part of the population and at the same time limit the number of pensioners on public support. This legislative structural change increased the workforce and at the same time also employment and finally economic sustainability, so that this generation did not pass the bill on to the next.

2.b.

The problem, however, was that persons worn out and people who had started early in the labor market could not or could not see themselves in the labor market up into the 70s. With that in mind, two laws have been implemented. The senior pension and the early retirement law. The senior pension seeks to catch the really worn out to give them the opportunity to leave the labor market before the wear and tear develops. It is a "means tested" scheme, but universal in its basic stock as all population groups can access senior pension, they just need to be tested. Whereas the early retirement law represents a unique exception in the pension laws early retirement pay and national pension, as healthy persons who have been in the labor market for more than 41 years and who have a smaller pension savings than DKK 2 million. DKK at the time of retirement can be covered.

The advantage of the laws is that people who are worn out or who have started very early in the labor market can have the opportunity for an earlier withdrawal of public funds. Benefits to society are further that the two schemes can take the air of the dawning concern and dissatisfaction with the 2006 reform, where a person in the manual labor market can not see himself working for that person reaches 70 years. The disadvantage is, of course, that if too many people use the schemes, good labor is lost, and the sustainability of the Danish economy can be lost in the worst case.