

4 Types of Healthcare System Designs — and the Pros and Cons of Each



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Key takeaways:

- There are four basic designs healthcare systems follow: the Beveridge model, the Bismarck model, the national health insurance model, and the out-of-pocket model.
- The U.S. uses all four of these models for different segments of its residents and citizens.
- While the terms socialized medicine and single-payer system are used frequently, they are not terms recognized by health economists to describe healthcare system design.



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In our healthcare around the world series, we have covered numerous countries across the globe, from [Iran](#) to [Argentina](#), [Finland](#), and beyond. In doing so, we have seen many ways pharmacy services are delivered around the world and discovered innovative practices that reduce costs and improve care.

Because of the unique strategies different countries have developed, it can appear that each one has a completely different way of delivering healthcare. However, healthcare systems follow only a few different models, which countries, including the U.S., adapt to meet their citizens' needs.

What makes a good healthcare system?

The [World Health Organization](#) (WHO) lists the qualities of a good healthcare system as:

- **Safe and effective:** The care that is delivered takes into account individuals' unique needs, preferences, and values.
- **Timely:** Wait times have been minimized to avoid potentially harmful delays in care.
- **Equitable:** All residents and citizens are able to access the care they need.

- **Integrated:** The full range of healthcare services are available throughout a person's life.
- **Efficient:** Benefits have been maximized and waste has been minimized.

What are the 4 models of healthcare?

The four basic designs healthcare systems follow are:

1. Beveridge model
2. Bismarck model
3. National health insurance model
4. Uninsured model.

All these models differ in both how they are funded and how healthcare is delivered. Publicly funded systems are paid for with taxation, while privately funded systems are paid for with individual contributions to a collective fund, like an insurance company. Facilities that deliver healthcare can be either owned by the government or privately owned by an organization, like a corporation or a nonprofit.

In the Beveridge model, funding and delivery is primarily provided by the government, whereas both are provided privately in the Bismarck model. In the national health insurance model, funding is public but facilities are private. And in the uninsured model, only those who are able to pay out of pocket receive care.

In all of the models, there is a role for private insurance, [private healthcare practices](#), or both. Regardless of the model a country follows, though, universal coverage lays the foundation for effective price control and improves access to low-cost, high-benefit preventive care. In the U.S., where universal coverage is not ensured, [up to half of uninsured patients](#) have delayed preventive care because of cost.

How do each of the 4 models of healthcare work?

Let's look at how the [four major healthcare models](#) are constructed and the advantages and disadvantages of each design.

Beveridge model

The Beveridge model is named after [Sir William Beveridge](#), a British economist who in 1942 published his most famous work, a government report entitled [Social Insurance and Allied Services](#). In this report, he proposed a national healthcare system that would provide free medical treatment for all and that would be paid for through taxation. This report was part of a longstanding, broader movement to reform welfare services in Britain, which began with the publication of the [Minority Report of the Royal Commission on the Poor Law](#) in 1909.

However, these reports would not have led to policy changes without the work of [Nye Bevan](#), a politician who served as minister of health and is widely credited with founding the [National Health Service \(NHS\)](#). He [served](#) under the Labour Party's Clement Attlee, who won the election over Winston Churchill largely due to campaign promises based on the Beveridge report. After taking office, Bevan faced fierce opposition from other politicians as well as the [British Medical Association](#) (BMA). But, after lengthy negotiations and campaigning, the [National Health Service Act](#) was passed in 1946, establishing the NHS.

With the creation of the NHS, the U.K. gave birth to the first of the four major healthcare models. In this model, healthcare is paid for almost entirely with taxation and delivered through the government. Healthcare facilities are government-owned and healthcare providers are employed by the government. Healthcare is seen as a responsibility of the government, in the same way that tax-funded roads and schools are.

It's important to note, though, there are exceptions to this model in British healthcare. One of the most notable is that the majority of [primary care providers](#), called general practitioners (GPs), own their own practices or are employed by private practices. The majority of [community pharmacies](#) are also privately owned.

In addition to the U.K., other countries that follow the Beveridge model include New Zealand, [Finland](#), and Spain.

Bismarck model

[Otto von Bismarck](#) was the founder and first chancellor of the German Empire, now Germany. He served as chancellor from 1871 to 1890. And the [healthcare system](#) now named after him grew out of a series of economic crises that the German Empire faced during his tenure. These crises led to harsh living conditions, especially among the urban poor, which prompted Bismarck to suggest a national health insurance system in 1881. The system was passed by the legislature in 1883.

[Under this system](#), both the financing and delivery of healthcare are privately funded, as opposed to using public funds received through taxation and government-owned clinics to deliver care. In Germany, employees and employers pay premiums to insurance companies, termed “sickness funds,” through mandatory payroll deductions. Those sickness funds then reimburse the facilities that deliver care.

While Germany developed the original Bismarck healthcare system, other countries that use this model include [Japan](#), France, the Czech Republic, and South Korea.

National health insurance model

The national health insurance model is somewhat of a mixture between the Beveridge and the Bismarck model. In this type of system, the government funds healthcare services, which are paid for through taxation, similar to the Beveridge model. The delivery of healthcare services is provided, however, mostly through private organizations, similar to the Bismarck model.

Perhaps the most notable example of a country using this model is in [Canada](#). There, residents receive provincial insurance plans funded by both the federal government and provincial governments, which are used at mostly private clinics and hospitals.

Uninsured model

With the uninsured model, healthcare services are provided to people who can pay for those services out of pocket. Residents and citizens who can afford to pay receive healthcare, while those who cannot afford care do not receive it.

Like with the other models, there can be exceptions to these basic principles within different healthcare systems. For example, depending on the country, nonprofit institutions might provide charitable care to the uninsured, or the government might provide vaccines free of charge. Comprehensive care, however, goes primarily to those who can afford to pay.

This system is found in many low-income countries that lack the resources to fund a strong healthcare system.

What model does the U.S. use?

The U.S. actually uses all of these models, but for different segments of the population.

The [Department of Veterans Affairs](#), the [Indian Health Service](#), and the [Federal Bureau of Prisons](#) all use the Beveridge model. With these agencies, the government owns the facilities and is the primary employer. There may be some exceptions, like when the U.S. government hires private contractors to fulfill the healthcare services. But the Beveridge model forms the foundation of the design.

Americans who have commercial insurance through their employer are using the Bismarck model. Healthcare services are financed privately, through employer and employee contributions, and also delivered through private facilities.

Americans who have Medicare or Medicaid are using the national health insurance model. The [Centers for Medicare and Medicaid Services](#) (CMS), a government agency, is the primary payer, but healthcare services are delivered mostly through private companies.

Finally, we have the uninsured model. Paying out of pocket for healthcare services is the unfortunate reality for [28 million Americans](#) as of 2020. Like other countries, the U.S. does have nonprofit institutions that provide charitable care, and emergency rooms must treat patients regardless of their ability to pay, in accordance with the [Emergency Medical Treatment and Labor Act](#) (EMTALA). However, urgent care centers, primary and specialty clinics, clinical laboratories, physical and occupational therapists, and pharmacies have no obligation to treat.

What is socialized medicine?

Socialized medicine is a popular term in the U.S., but is not used by health economists to describe a healthcare system design or feature.

In U.S. politics and media, socialized medicine has been used to describe the Beveridge model, most commonly when talking about the [U.K.'s health system](#). But it has also been used to describe [Canada's system](#), which follows the national health insurance model.

Perhaps more than anything, the frequent use of the term highlights the need for more education and awareness around healthcare system design, especially with healthcare being a primary issue in the U.S.

What is the difference between a single-payer system and socialized medicine?

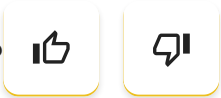
Like socialized medicine, “single-payer” is another frequently used term. [Single-payer healthcare](#), as the name implies, refers to systems in which there is one governmental agency paying for healthcare. But it does not refer to a specific healthcare system model. In fact, both the Beveridge model and the national health insurance model could be considered single-payer.

With the Beveridge and national health insurance models, however, there is usually a funding and management role for both the federal government and local governments, so in neither model is there complete control by the federal government.

The bottom line

All healthcare systems across the globe follow four major designs. Regardless of design, the most important thing is to ensure everyone is covered, which is not possible with the uninsured model. As countries using the other three models have demonstrated, there are ways of achieving universal coverage while still leaving a role for private insurance and private healthcare facilities.

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