

The High Cost of Healthcare

In the past few decades, spending on healthcare in the U.S. has increased exponentially, far outpacing the growth in healthcare spending in comparable, industrialized countries, as well as the growth of overall U.S. *gross domestic product* (GDP).¹ The amount the U.S. spent on healthcare in 2011 accounted for over 17% of the national GDP, or approximately \$8,680 per capita.² Despite the significant amount of money spent on healthcare in the U.S., the U.S. is consistently ranked average or slightly below average on many “*quality of care indicators*” compared to other, industrialized countries.³ These health outcomes rankings demonstrate that the U.S. may not be receiving sufficient “*value per dollar*” spent on the population’s healthcare.

The high cost of healthcare in the U.S. has not resulted in better health outcomes; rather, despite high costs, quality in the U.S. healthcare system is variable and does not necessarily result in better health outcomes than those countries with less expensive systems.⁴ For example, in 2006, the U.S. spent more on healthcare than any other country, but ranked 39th for infant mortality, 43rd for adult female mortality, 42nd for adult male mortality, and 36th for life expectancy, as compared to 190 World Health Organization member states.⁵ Additionally, in a recent *Bloomberg* publication which ranked 48 countries with advanced economies for “*efficiency*” in healthcare, the U.S. ranked close to the bottom, coming in at 46 overall.⁶ The U.S. obtained an “*efficiency score*” of 30.8, based on measures of life expectancy and healthcare cost per capita, compared to Hong Kong, which ranked number 1, with an efficiency score of 92.6.⁷ These figures appear to demonstrate that the U.S.’s monetary investment in healthcare has not yielded correspondingly high marks in healthcare quality.

Spending statistics from the *Centers for Medicare and Medicaid Services* (CMS) indicate that increases in healthcare spending have recently slowed.⁸ In 2012, U.S. healthcare spending increased by just 3.7%, marking the fourth straight year of historically low spending increases.⁹ For comparison, the rate of increase in healthcare spending peaked from 2001 to 2003, increasing at a rate of 8.8% each year.¹⁰ However, it is not apparent that this recent trend in healthcare spending is attributable to more efficient spending and better health outcomes.

For example, a recent study conducted by the Kaiser Family Foundation and Altarum Institute attributes 77% of the recent slowdown in healthcare spending to the effects of the economic downturn.¹¹ The study ascribes the other 23% of the slowdown in healthcare spending to changes in the healthcare system, including increased consumer cost-sharing, tighter managed care, and modifications in payment and delivery.¹² As such, to the extent that the slowdown in healthcare spending is derived from a temporary phenomenon initiated by the *Great Recession*, health spending can be expected to rebound as the domestic economy recovers.¹³ As a result, the recent decrease in healthcare spending is not necessarily evidence of an increase in the “*value per dollar*” spent on healthcare in the U.S.

The subsequent articles in this three-part Health Capital Topics series will examine waste which contributes to unnecessary expense and inefficiency in the healthcare system, as well as possible solutions aimed at reducing inefficiencies and increasing the “*value per dollar*” spent on healthcare.

- 1 “Explaining High Health Care Spending in the United States: An International Comparison of Supply, Utilization, Prices, and Quality,” By David A. Squires, *The Commonwealth Fund*, Vol. 10 (May 2012), p. 2-3.
- 2 “National Health Spending in 2011: Overall Growth Remains Low, but Some Payers and Services Show Signs of Acceleration,” By Micah Hartman, et al., *Health Affairs*, Vol. 32, no. 1 (January 2013), p. 87-88.
- 3 “Health Spending in OECD Countries: Obtaining Value Per Dollar,” By Gerard F. Anderson, et al., *Health Affairs*, Vol. 27, no. 6 (2008), p.1722.
- 4 Squires, May 2012, p. 9.
- 5 “Ranking 37th – Measuring the Performance of the U.S. Health Care System,” By Christopher J.L. Murray, et al., *The New England Journal of Medicine*, Vol. 362, no. 2 (January 14, 2010), p. 98.
- 6 “Most Efficient Health Care: Countries,” *Bloomberg Best* (and Worst), August 19, 2013, <http://www.bloomberg.com/visual-data/best-and-worst/most-efficient-health-care-countries> (Accessed 2/4/2014).
- 7 *Ibid.*
- 8 “National Health Expenditures 2012 Highlights,” *Centers for Medicare & Medicaid Services*, <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/downloads/highlights.pdf> (Accessed 3/24/2014).
- 9 “Health Cost Growth is Down, or Not. It Depends Who You Ask.” By Drew Altman, *The Henry J. Kaiser Family Foundation*, March 5, 2014, <http://kff.org/health-costs/perspective/health-cost-growth-is-down-or-not-it-depends-who-you-ask/> (Accessed 3/14/2014).

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- 10 “Assessing the Effects of the Economy on the Recent Slowdown in Health Spending.” The Henry J. Kaiser Family Foundation, April 22, 2013, <http://kff.org/health-costs/issue-brief/assessing-the-effects-of-the-economy-on-the-recent-slowdown-in-health-spending-2/> (Accessed 3/14/2014).
- 11 Altman, March 5, 2014; The Henry J. Kaiser Family Foundation, April 22, 2013.

- 12 The Henry J. Kaiser Family Foundation, April 22, 2013.
- 13 *Ibid.*



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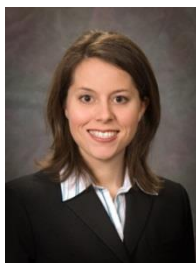
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