

How To Compare Medical Care Systems

David M. Cutler

Harvard University and NBER

Possible Dimensions of Comparison

- Costs
- Access
- Quality
- Responsiveness
- Equality
- 'Basic ethics'

An Economic Analysis

- Economic analysis addresses some of these dimensions.
- Most common focus: cost versus quality.

An Economic Analysis

Benefits of Care

- Value of improved health to individual and others
- External financial effects on others
- External health effects on others

Costs of Care

- Immediate costs of treatment

Example from U.S. – Treatment of Cardiovascular Disease

Benefits

- Average 45 year-old lives another 4½ yrs because of improved CVD care over 1950
 - 2/3 medical (3 yrs)
 - 1/3 behavioral (1½ yrs)

Costs

- Lifetime costs of CVD care for 45 year-old is about \$30,000 in PDV.

Mortality Reduction Since 1950



Example from U.S. – Treatment of Cardiovascular Disease

Benefits

- Value of a year in good health is about \$100,000
- External cost of saving someone with IHD = \$25,000
- Net benefit is perhaps \$75,000
- PDV of bens is \$120,000

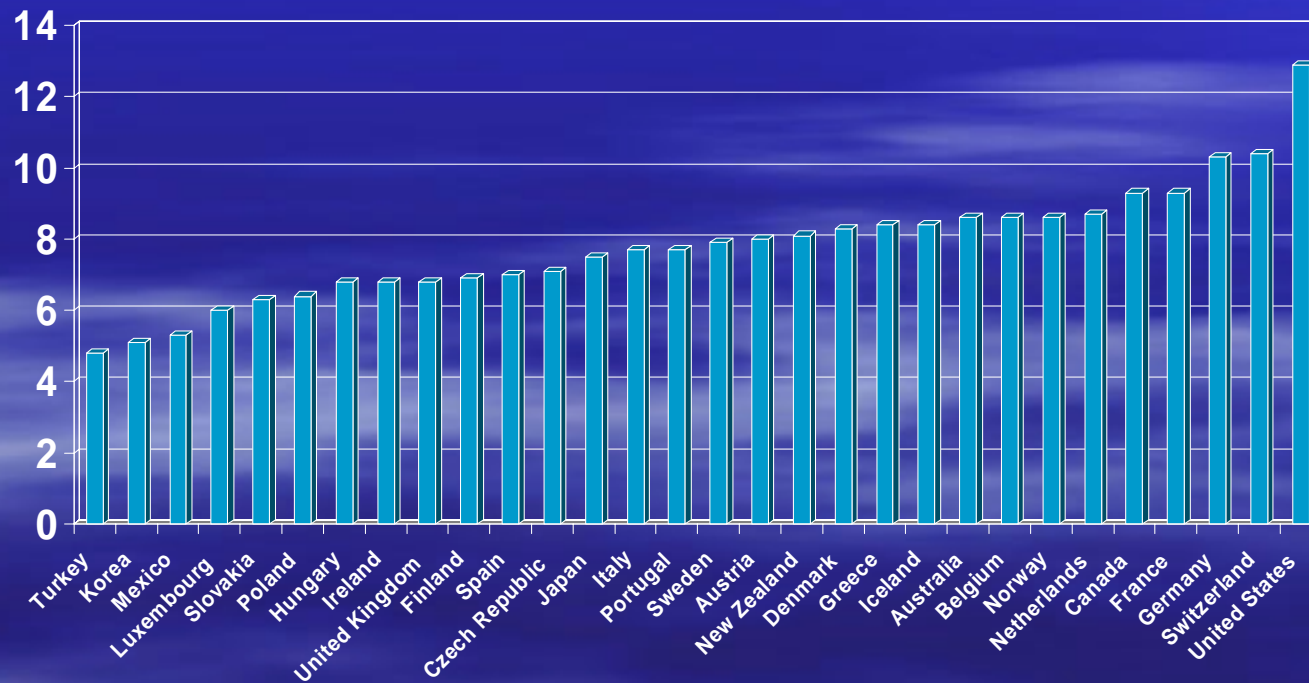
Costs

- Lifetime costs of CVD care for 45 year-old is about \$30,000 in PDV.

Rate of return is 4:1

International Comparisons – A Summary of the Pre-OECD Literature

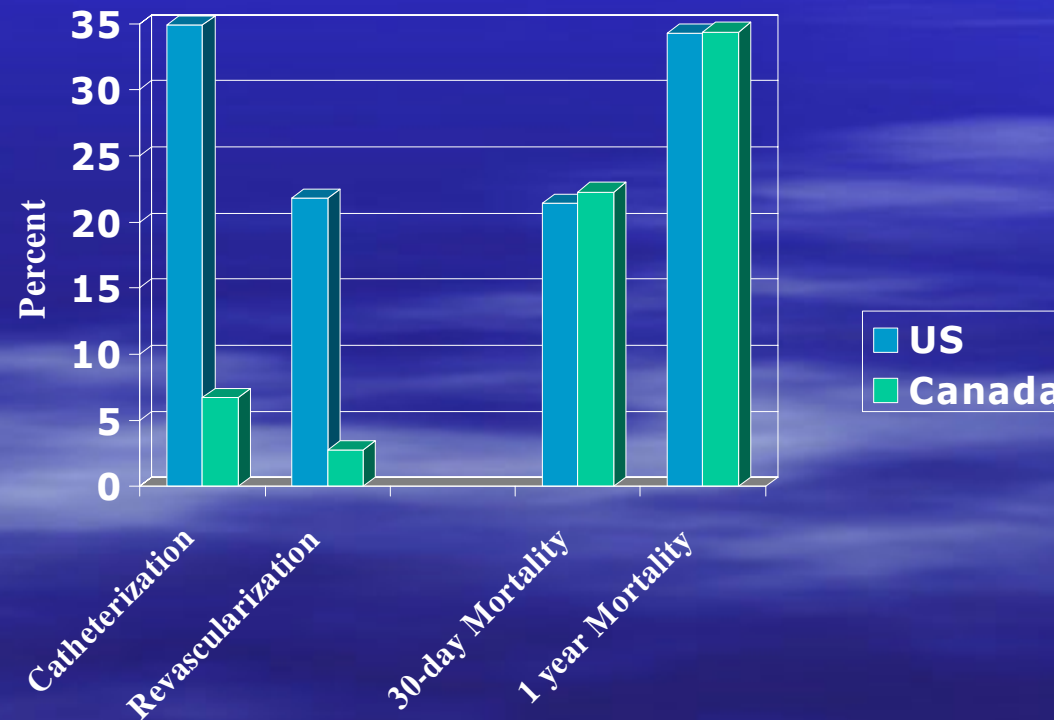
- Countries spend very different amounts on medical care.



Source: OECD.

International Comparisons – A Summary of the Pre-OECD Literature

- *At the margin, spending doesn't seem like it's worth it.*



Source: Jack Tu et al.

International Comparisons – A Summary of the Pre-OECD Literature

- *On average*, spending increases are worth it.

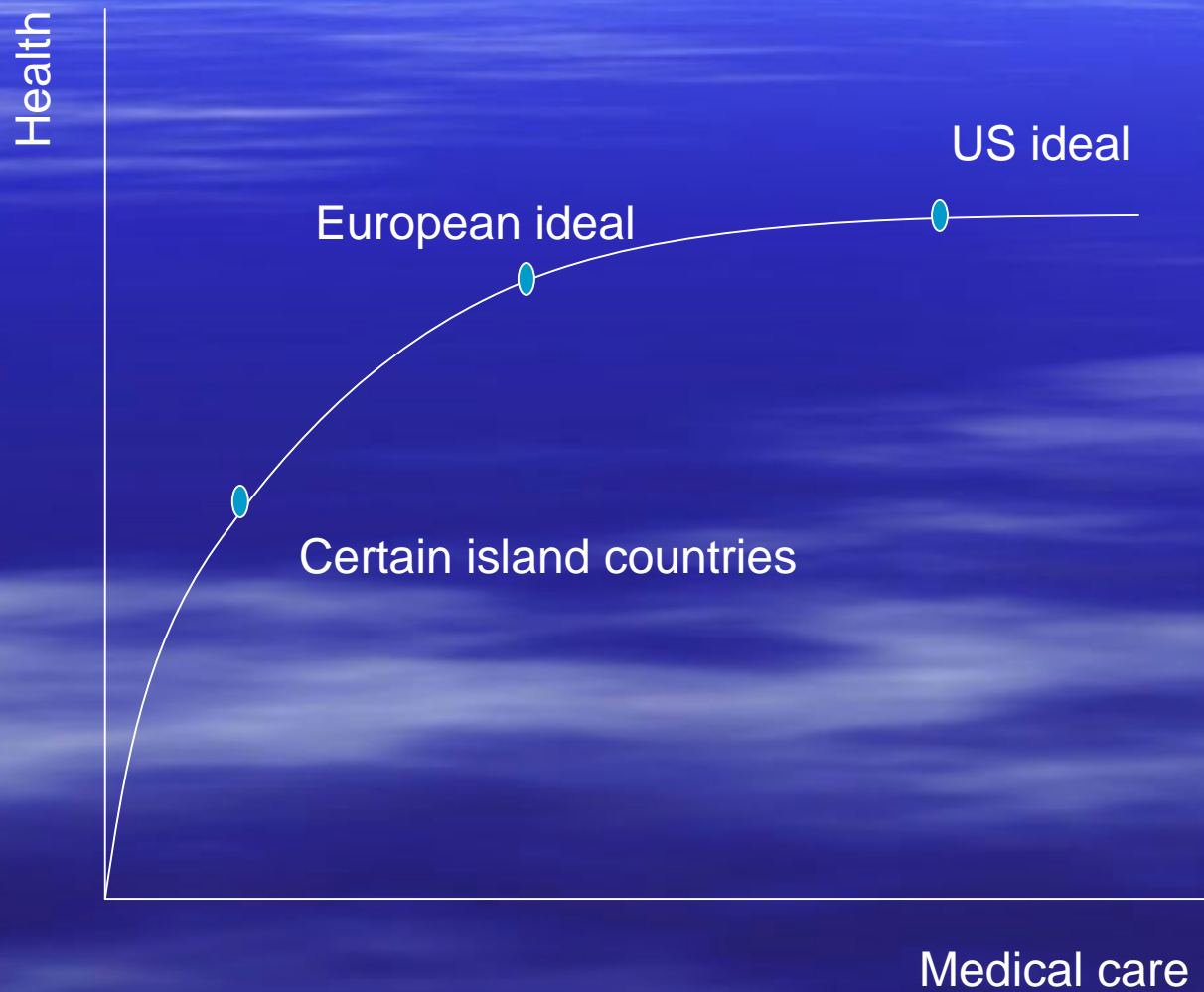
1950 – 2000

- Costs increased by \$50,000 in PDV for typical newborn.
- Benefits of CVD and low birth weight infant care are about 3½ years of life.
 - Value is about \$50,000 in present value.

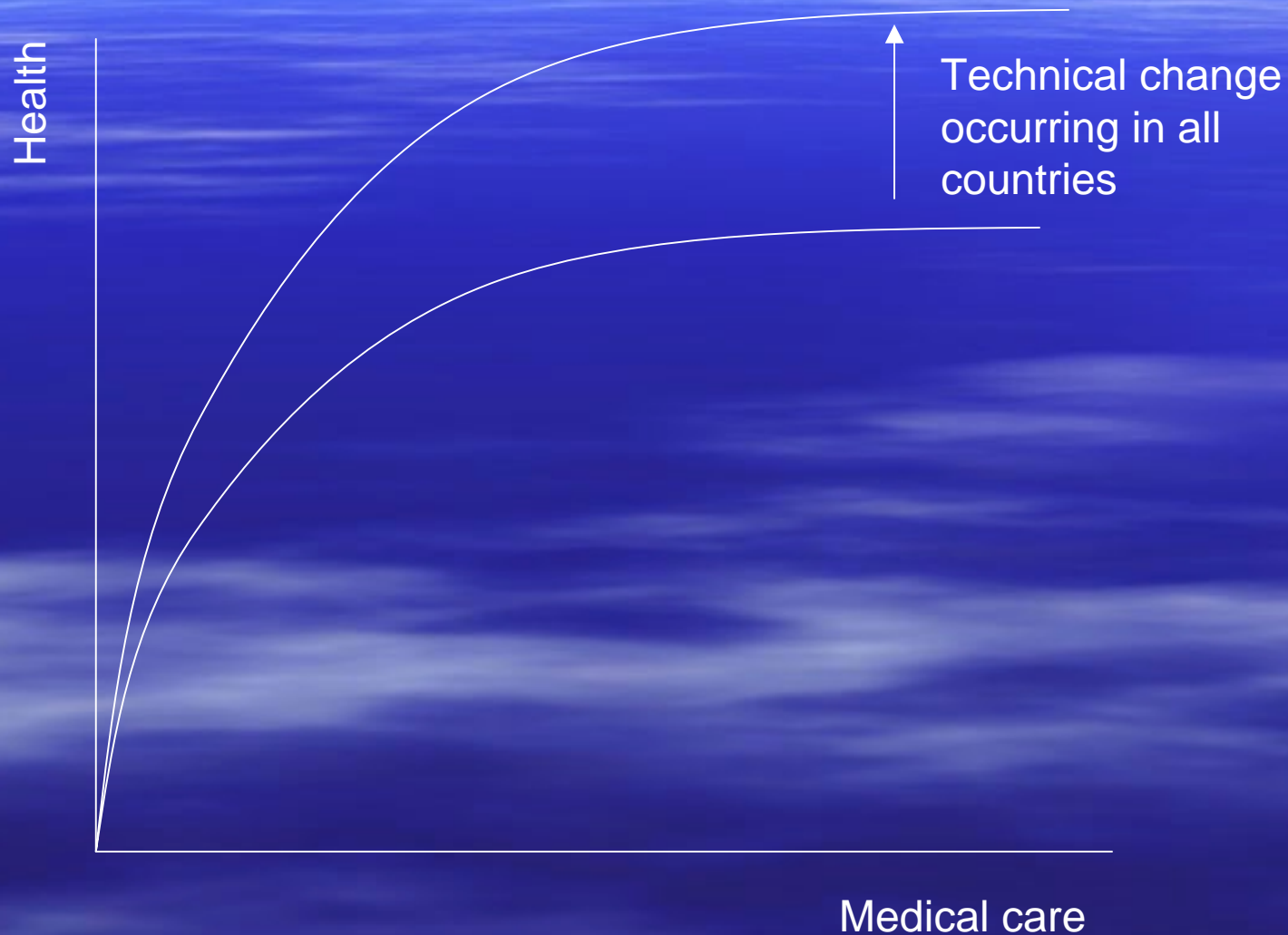
International Comparisons – A Summary of the Pre-OECD Literature

- There is a lot of waste.
- Overuse of care
 - US v. Canada
- Underuse of care
 - Beta-blockers in virtually every country
- Misuse of care
 - Preventable errors, wrong medications, etc.

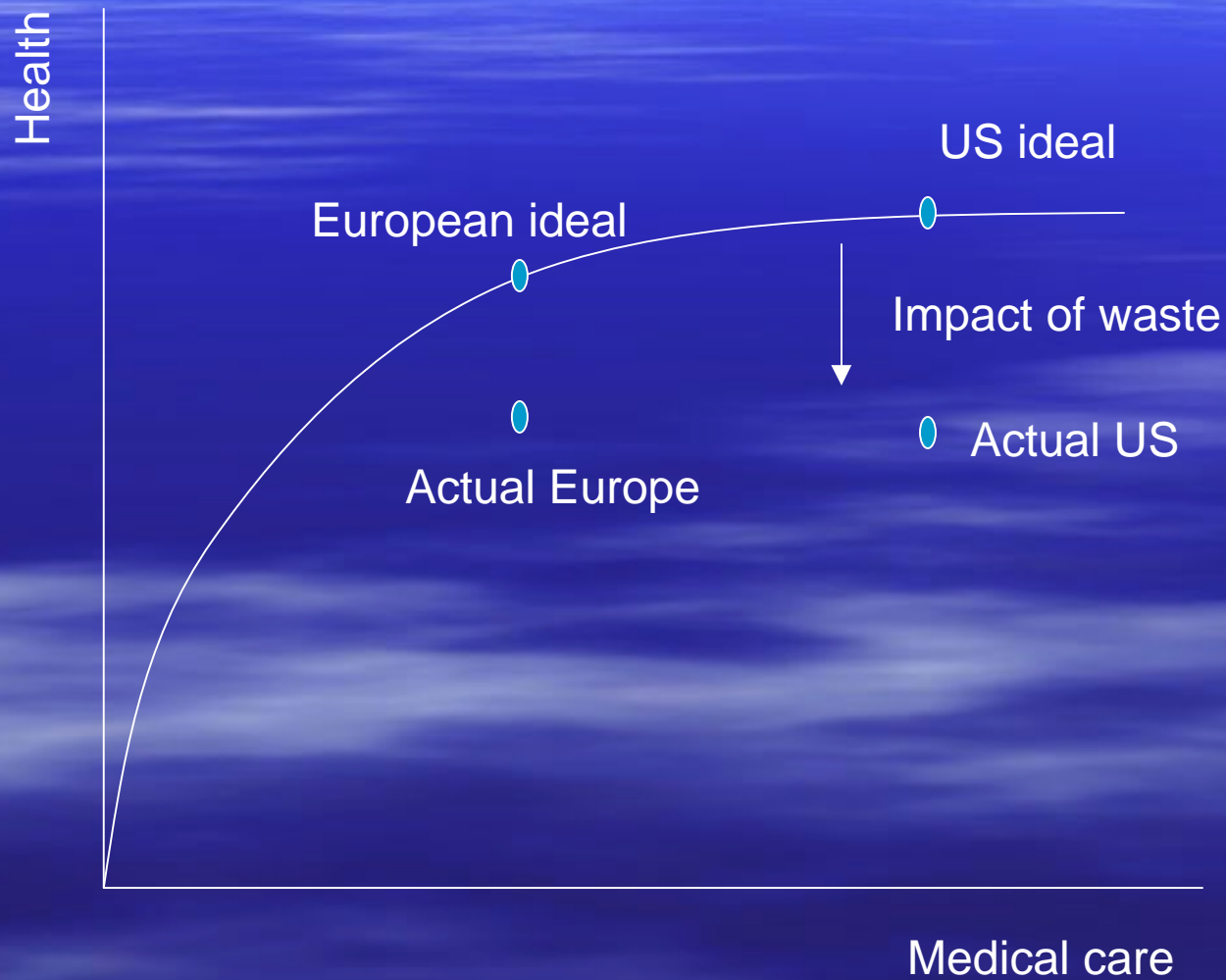
Making Sense of It All



Impact of Technical Change



There is Waste, Too



Key Issues

- What can countries do to reduce the waste in provision?
 - Does that differ with the nature of the medical system?
- Is additional spending worth it, once one fixes the waste, to the extent possible?