

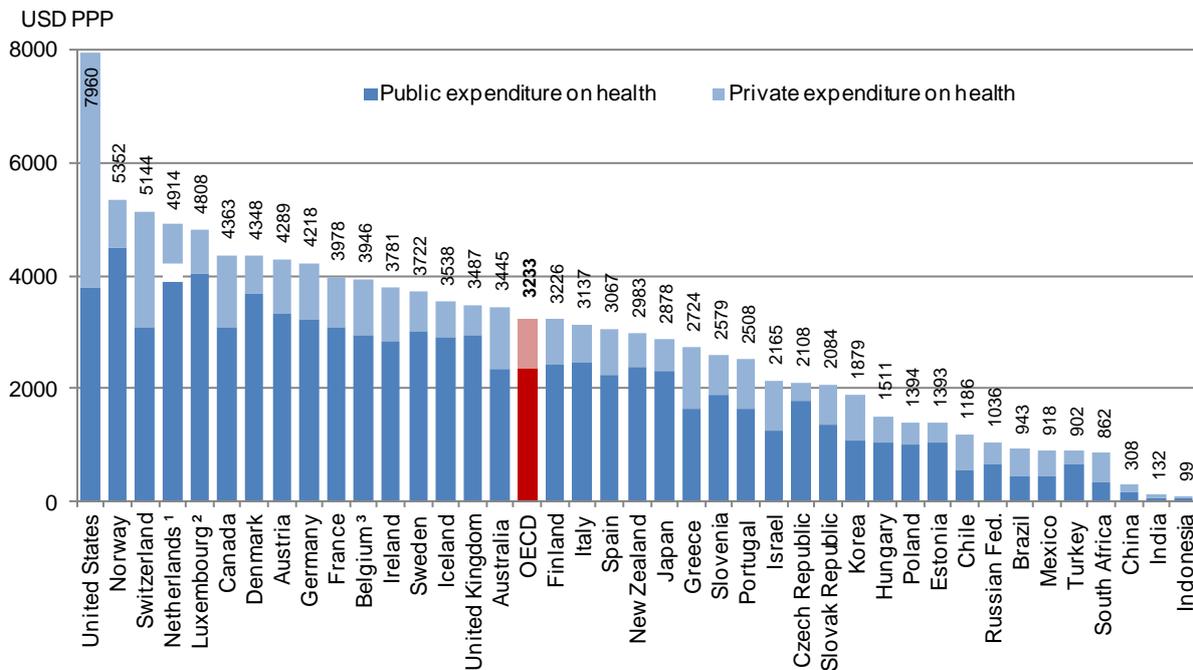


WHY IS HEALTH SPENDING IN THE UNITED STATES SO HIGH?

1. Health spending in the United States is much higher than in other OECD countries

The United States spends two-and-a-half times more than the OECD average health expenditure per person (Chart 1). It even spends twice as much as France, for example, a country which is generally accepted as having very good health services. At 17.4% of GDP in 2009, US health spending is half as much again as any other country, and nearly twice the average.

Chart 1: Health expenditure per capita, public and private, 2009 (or nearest year)



1. In the Netherlands, it is not possible to clearly distinguish the public and private share related to investments.

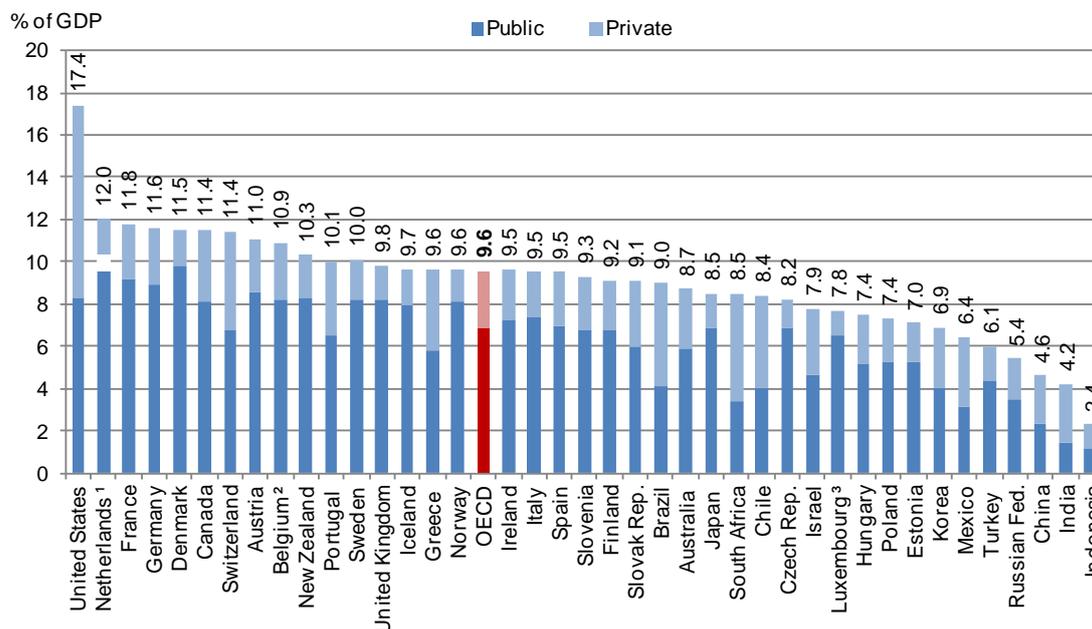
2. Health expenditure is for the insured population rather than the resident population.

3. Total expenditure excluding investments.

Note: Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Source: OECD Health Data 2011.

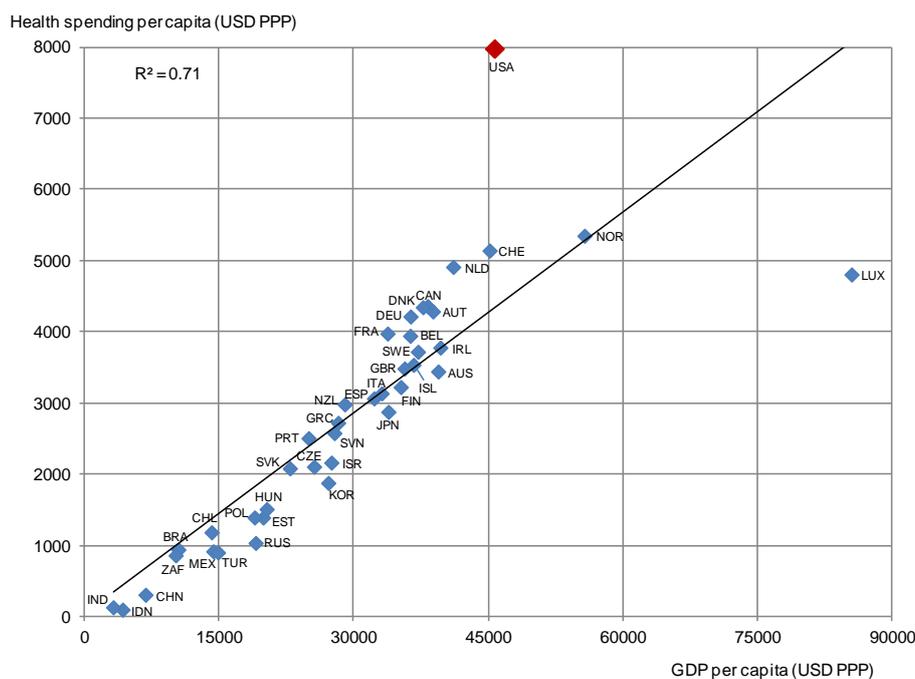
Chart 2: Total health expenditure as a share of GDP, 2009 (or nearest year)



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 Source: OECD Health Data 2011.

Rich countries spend more than poor countries. Chart 3 shows that for nearly every country, if you know how rich they are, you can predict their health spending per person per year to within a few hundred dollars. The United States is an exception – Americans spend nearly \$3000 per person per year more than Swiss people, even though Swiss people have about the same level of income.

Chart 3: Total health expenditure per capita and GDP per capita, 2009 (or nearest year)

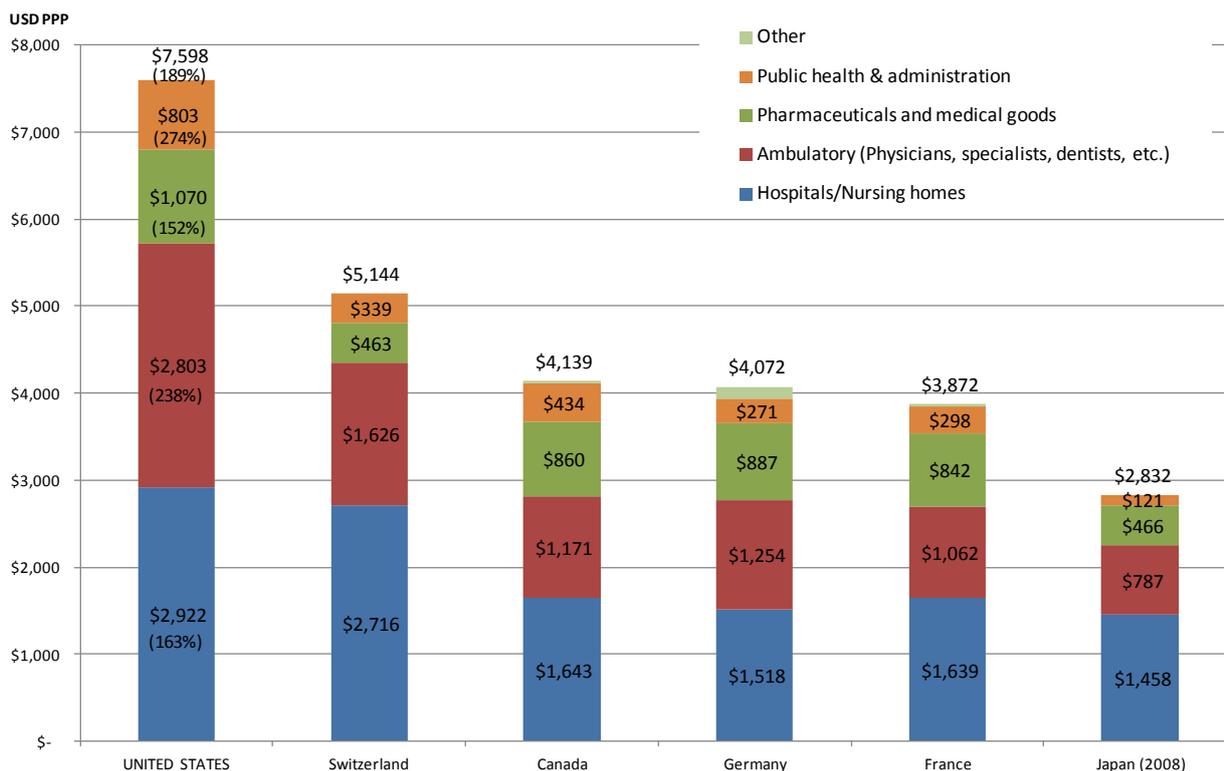


Source: OECD Health Data 2011.

2. Where does the money go?

Health expenditure can be broken down into different categories of spending by type of care, that is, in-patient care, out-patient care, pharmaceuticals, public health and administration, etc. Chart 4 shows how the US compares to other OECD countries that spend a lot on health, including countries with a lot of private insurance (Switzerland, France and Germany).

Chart 4: Health spending per capita by category of care, US and selected OECD countries, 2009



Note: Health spending excludes investments. The percentages in the US bar indicate how much more the US spends per category compared with the average of the five other OECD countries.

Source: OECD Health Data 2011.

- *Hospital* spending is higher than in the five other OECD countries, by over 60%.
- Spending on *Ambulatory care* providers – that is, physicians and specialists as well as dentists, is much higher than in the other OECD countries – almost two-and-a-half times the average of the other five countries. One of the explanations for this is the growth of same-day surgery in the US. Such services are an important innovation in health care delivery, often being preferred, when possible, by patients to staying overnight in a hospital. Estimates of spending on same-day surgery performed by independent physicians for 2003 and 2006 suggest that this has been the fastest growing area of health care over this period (Mckinsey Global Institute, 2008).
- Spending on *Pharmaceuticals and medical goods* is higher in the US than in any other country, but overall accounts for a smaller share of total health spending than in the other countries.
- Spending on *Public Health and Administration* is particularly high – more than two-and-a-half times the average. Administration of the US health system alone accounts for about 7% share of total spending. This is on a par with other systems such as France and Germany which also have multipayer systems (even if in some of them there is no or little competition across payers). In comparison, Canada and Japan devote around 4% of health spending on administration.

Leaving aside spending on administration, the high level of spending in the United States may be due to:

- The cost (or price) of health care being higher in the United States than elsewhere
- The United States providing more health care – more doctors’ appointments, more surgery, more drugs, more diagnostic tests, longer stays in hospital – than in other countries
- Some combination of the two.

Evidence suggests that prices are high (see next section) and some (but not all) quantities of services provided are high.

3. Are US health prices high?

A 2010 OECD study (Koechlin et al., 2010) found the US price level of hospital services to be over 60% higher than the average of 12 other OECD countries in 2007.¹

Looking at specific interventions, Table 1 shows that the price of a normal delivery in the United States was estimated to be more than 50% higher than in France or Canada, while the price of a caesarean section was 30% higher than in France and more than 50% higher than in Canada. The price of a knee replacement was about 20% higher in the United States than in France and 50% higher than in Canada, while a hip replacement costed 45% more in the United States than in these two countries.

Table 1: Average unit quasi-prices of certain hospital procedures, in US dollars, US and selected OECD countries, 2007

Procedures	AUS	CAN	DEU	FIN	FRA	SWE	USA
Appendectomy	5 044	5 004	2 943	3 739	4 558	4 961	7 962
Normal delivery	2 984	2 800	1 789	1 521	2 894	2 591	4 451
Caesarean section	7 092	4 820	3 732	4 808	5 820	6 375	7 449
Percutaneous transluminal coronary angioplasty (PTCA)	7 131	9 277	3 347	5 574	7 027	9 296	14 378
Coronary artery bypass graft	21 698	22 694	14 067	23 468	23 126	21 218	34 358
Hip replacement	15 918	11 983	8 899	10 834	11 162	11 568	17 406
Knee replacement	14 608	9 910	10 011	9 931	12 424	10 348	14 946

Source: Koechlin et al. (2010).

Pharmaceutical prices are also higher in the United States than in other OECD countries. A recent study of the 50 top-selling prescription drugs found that US pharmaceutical prices were at least 60% higher than those in five large European countries in 2007.²

Overall, the evidence suggests that prices for health services and goods are substantially higher in the United States than elsewhere. This is an important cause of higher health spending in the United States.

¹ Koechlin, F., L. Lorenzoni and P. Schreyer (2010), *Comparing Price Levels of Hospital Services across Countries: Results of a Pilot Study*, OECD Health Working Paper, No. 53, OECD Publishing, Paris.

² Kanavos, P. and S. Vondoros (2011), *Drugs US: are prices too high?*, Significance, The Royal Statistical Society, March 2011, pp.15-18.

4. Does the US provide too much health care?

More health care is not always better health care – sometimes treatments are provided which are unnecessary, or even undesirable. There are enormous differences in how much health care different health systems supply. However, it is very difficult to say whether a country does too much, or too little. But what can be done is to indicate whether the United States does more or less than other countries.

Table 2 shows where it does less. It does *not* have many physicians relative to its population; it does *not* have a lot of doctor consultations; it does *not* have a lot of hospital beds, or hospitals stays, when compared with other countries, and when people go to hospital, they do *not* stay for long. All these data on health care activities suggest that US health spending should be *low* compared with other countries.

Table 2. Where the United States health system does LESS than other countries

	<i>United States</i>	<i>Rank compared with OECD countries</i>	<i>OECD average</i>
Practising physicians	2.4 per 1 000 population	26 th	3.1 per 1 000 population
Doctor consultations	3.9 per capita	29 th	6.5 per capita
Hospital beds	3.1 per 1 000 population	29 th	4.9 per 1 000 population
Hospital discharges	130.9 per 1 000 population	26 th	158.1 per 1 000 population
Average length of stay in hospitals	4.9 days	29 th	7.2 days

Source: OECD Health Data 2011.

On the other hand, the US health system does do a lot of interventions. Table 3 shows that it has a lot of expensive diagnostic equipment, which it uses a lot. And it does a lot of elective surgery – the sort of activities where it is not always clearcut about whether a particular intervention is necessary or not.

Table 3. Where the United States health system does MORE than other countries

	<i>United States</i>	<i>Rank compared with OECD countries</i>	<i>OECD average</i>
MRI units	25.9 per million population	2 nd	12.2 per million population
MRI exams	91.2 per 1 000 population	2 nd	46.6 per 1 000 population
CT scanners	34.3 per million population	5 th	22.8 per million population
CT exams	227.9 per 1 000 population	2 nd	131.8 per 1 000 population
Tonsillectomy	254.4 per 100 000 population	2 nd	133.8 per 100 000 population
Coronary angioplasty	377.2 per 100 000 population	3 rd	187.6 per 100 000 population
Knee replacements	212.5 per 100 000 population	1 st	118.4 per 100 000 population
Caesarean sections	32.3 per 100 live births	8 th	25.8 per 100 live births

Source: OECD Health Data 2011.

Hence overall the picture about whether the US spends more than other countries because its system does more than other countries is mixed. It does more of some activities, but less of others. Overall, it seems that high prices are probably a more important cause of high spending than high provision of services.

Box: Is the quality of US health care better than in other countries?

Life expectancy in the United States is below the OECD average (78.2; average is 79.5), despite the high level of health spending. The United States is also below average on other measures, including infant mortality and potential years of life lost. However, these ‘aggregate’ measures are not good measures of the effects of health spending on outcomes, as many other factors beyond health care affect mortality.

Health at a Glance 2011 presents a set of indicators related more specifically to the quality of health care. The United States performs well in some subsystems such as cancer care and treating acute conditions in hospitals, but does not perform well in primary care and in preventing costly hospital admissions for chronic conditions.

- *Cancer care system is generally performing very well.* This is particularly true for breast cancer with high screening coverage and survival, and also for colorectal cancer (Charts 5 and 6). On the other hand, cervical cancer survival is still low compared with many other OECD countries, despite the high screening coverage.
- *The quality of acute care in hospitals is generally good in the United States,* compared with other OECD countries. In-hospital case fatality for AMI and ischemic stroke is lower than the OECD average.
- *However, the primary care sector is still underdeveloped, adding financial burden to the health system.* Costly hospital admissions have been high particularly for asthma and chronic obstructive pulmonary disease (COPD), even though such admissions could potentially be avoided if appropriate care is provided in primary care settings (Charts 7 and 8). The shortage of family doctors contributes to the poor primary care performance.

Chart 5: Breast cancer, five-year relative survival rate

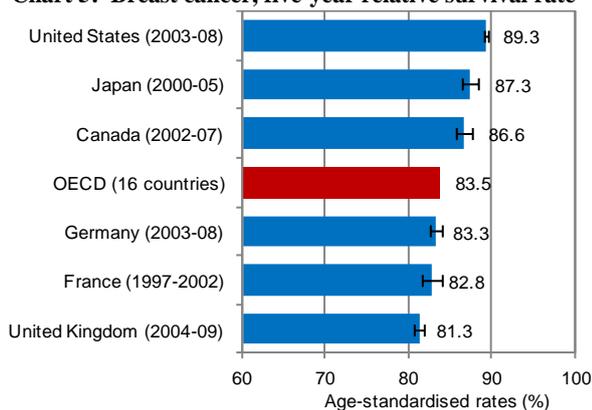


Chart 6: Colorectal cancer, five-year relative survival rate

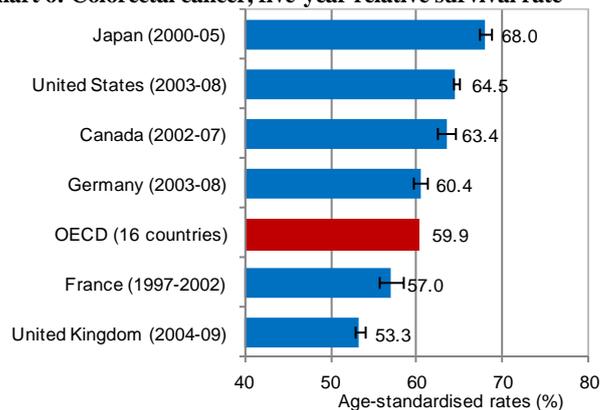


Chart 7: Asthma hospital admission rates, population aged 15 and over

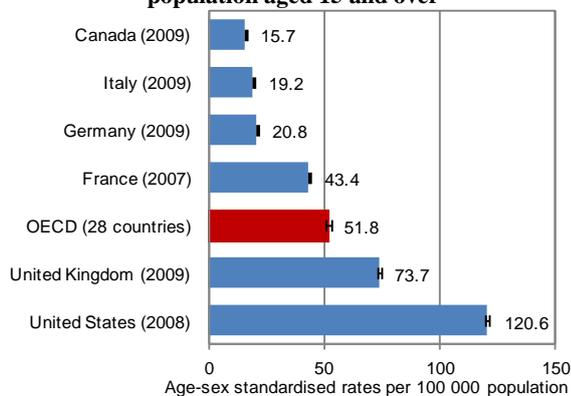
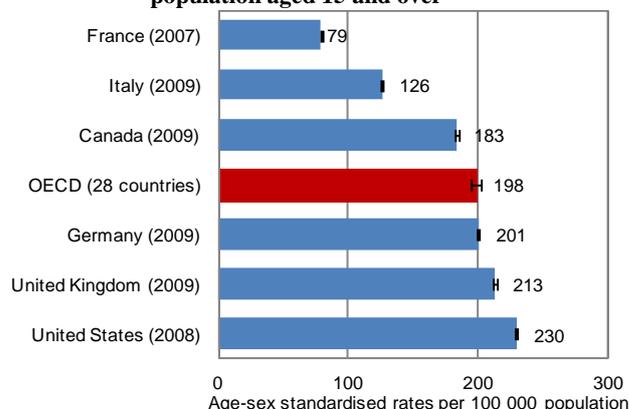


Chart 8: COPD hospital admission rates, population aged 15 and over



Note: 95% confidence intervals are represented by H.
Source: OECD Health Data 2011.