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U.S. Tops List for Health Care Spending

Written by Sarah McIntosh

A recent report published by the Organization for Economic Co-Operation and Development (OECD) shows the United States spends more on health care than any other country.

For 2007 this amounted to \$7,290 per capita, nearly two and a half times above the OECD average of \$2,984 for other countries.

Greater Freedom in U.S.

According to OECD Secretary-General Angel Gurría, in a statement published December 8, 2009, “There are opportunities for all countries to improve the performance of their health care system, and making such improvements does not necessarily require higher spending.”

Yet Linda Gorman, senior fellow at the Independence Institute in Denver, CO, points to some problems in comparing spending and costs among different countries.

“The current discussion is a mess because it confuses costs and expenditures,” Gorman said. “The United States’ health care costs may be lower than in Europe, but expenditures may be higher simply because people are free to buy more health care than they are in the expenditure constrained government controlled European, and Canadian, systems. It is a mistake to control

health care expenditures, just as it would be a mistake to control expenditures on housing, education, or cell phones.”

Wrong Numbers

Gorman notes an example of inaccurate numbers in the recent Health Benefits and Service Costs in Europe (HealthBASKET) data on the cost of uncomplicated dental fillings in Europe.

“Researchers found that reimbursement data underestimated the cost of filling a cavity by 50 percent in nine European countries,” Gorman said. “The United States compares favorably when real resource measures are used, such as physicians, nurses, hospital beds, physician visits, and hospital days.”

Value for Money

Gorman also says government regulation in the United States generally increases costs.

“Health care is probably among the most regulated sectors of our economy. We have experiments showing that giving people the freedom to spend Medicaid personal care budgets free of regulation improves outcomes and reduces expenditures. We have data from the 1970s showing that eliminating excess regulation in other industries like trucking, railroads, telephony, and natural gas pipeline transport reduced

costs by 30 to 40 percent and improved service dramatically,” said Gorman.

“The way should be clear for health care, starting with Medicare and Medicaid,” Gorman added. “Contrary to popular belief, America’s health care does not cost more than health care in other countries, at least not for what one gets.”

Better Care Costs More

The OECD report also suggests the United States and Canada have better cancer care than most other countries, raising the question of whether high quality care can be achieved without heightened costs. Devon Herrick, a senior fellow with the National Center for Policy Analysis in Dallas, Texas, says such a scenario is unlikely.

“More screening—and especially more aggressive treatment—will cost money. Advanced cancer treatments are costly. If OECD countries believe they can fight cancer without spending more money, they are either planning on using older, less effective drugs or they impose price controls that do not compensate drug makers for advanced therapies,” Herrick said.

Herrick suggests one policy that might help reduce the cost of new cancer therapies is to streamline the process of Food and Drug Administration approval for new therapies, which would bring about increased competition.

Improving Health Care in the U.S.

Gorman believes the higher pricetag in the United States is a function of better care. She notes America has less disability, better infant mortality rates, better cancer survival rates, lower population blood pressure, and longer life expectancies over 65 than other OECD nations.

“In the United States the private system serves as the benchmark for the public systems,” Gorman said. “Private systems spend more on preventive care than public ones because private payers are willing to allocate funds to reduce their individual risk even though more preventive care increases total expenditures.”

Gorman says making health care cost less will require deregulation, not further strictures on choice.

“We can improve the system by getting rid of excess regulation which adds about 10 percent a year to our expenditures, and reduce spending by better aligning incentives,” Gorman added. “This will require significant insurance reform in states like Massachusetts and New Jersey, and significant reform of the structure of Medicare and Medicaid so they look and function more like private insurance.”