



# Why US Pays More For Health Care Than Other Nations

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It's no secret Americans pay a lot for health care. The big secret is why.

In 2008, the latest year for reliable statistics, the U.S. spent more than \$2.3 trillion on health care, three times more than in 1990.

Comparing these numbers to other industrialized countries, the U.S. spends a greater share of gross domestic product on health care, by as much as 50 percent in some cases.

The reasons Americans pay more, say analysts, boils down to a complicated system that requires a profit motive.

"The U.S. pays higher costs for the same service in part because the government plays a smaller role in negotiating prices," says Gerry Wedig, associate professor of business administration at the University of Rochester. "Overseas, governments compress patient demand by acting as a tough regulator and negotiator for the whole system."

"Our labor costs are higher for doctors, nurses and other health care professionals than other parts of the world," says Paul Keckley, executive director for Deloitte's Center for Health Solutions. "Specialists easily make more money here than in other countries."

A private insurance market and an overworked legal system are also behind the cost differential, says professor Colin Pritchard of Bournemouth University in Great Britain and who has co-written a comparison study on health care costs.

"Profits have to be made by insurance companies, so premiums are high for some people considered bad risks," says Pritchard. "And the U.S. culture is litigious, so more protective medicine needs to be done and there are often unnecessary and costly investigations."

Medical paper work alone is enough to help drive up costs, argues Robert LeFlar, professor of law and the University of Arkansas and a specialist in comparative health law.

"Other nations save on health care costs by simplifying administration of the system," LeFlar explains. "Countries like Japan and Canada rely on private sector professionals but pay them through a single government plan. That eliminates paperwork that drowns doctors and patients."

There's also the cost of medicine, such as prescription drugs, for which U.S. patients pay more, says Lee Graczyk, lead organizer of RxRights, an advocacy group for cheaper medicine and importation of foreign drugs.

"Americans pay twice as much for drugs compared to other nations," says Graczyk.

Americans currently average about \$7,538 a year in medical costs, including out-of-pocket expenses. Meanwhile, the average cost per person, including taxes for 'sickness funds' for industrialized countries like Great Britain, Norway and Switzerland is \$2,995, according to the Organization for Economic Co-operation and Development.

Health care in the U.S. is not going to get any cheaper in the years ahead, analysts say. The Congressional Budget Office projects that total national spending on health care in the U.S. will reach 31 percent of GDP by 2035.

And for all the money spent, Americans are not getting the benefit of the higher costs, says Bruce Boissonnault, President and CEO of Niagara Health Quality Coalition, a non-profit corporation designed to improve health care.

"Despite spending nearly twice as much, our results compared to other nations are disappointing," Boissonnault explains. "Take infant mortality rates. Studies show we have some of the worst results in the developed world. We pay for a Porsche but get a Yugo."

"It's somewhat complicated because of factors like diet, education and hygiene," says Pritchard. "But the U.S. comes out very badly compared to other countries when it comes to the type of care for the costs."

However, other analysts say it's often a comparison of apples to oranges.

"Don't be put off by all the statistics like infant mortality that appear to show the U.S. is behind," says Marjorie Baldwin, a professor in the W.P Carey School of Business at Arizona State University. "If you look at cancer survival rates, the U.S. easily outperforms Europe."

Baldwin also says nations with more nationalized health systems limit the availability of costly medical treatments. In fact, many treatments or drugs readily available in the U.S. are rationed in countries that have public and private health coverage, says Devon Herrick, a senior fellow at the National Center for Policy Analysis, a non-partisan policy research group. In some cases, they are not available at all.

"Britain holds down costs by a system that recommends which treatments hold value," says Herrick. "Some countries determine the quantity of resources to spend on different treatments. Canada has waiting lists for elective surgeries like hip replacements because of that."

Some of these facts of life may soon reach the U.S., which has limited nationalized medicine and is heading for more.

Like their foreign counterparts, Medicare/Medicaid and assistance to veterans have the ability to negotiate drug prices and set physician's fees. As a result, they are the slowest-growing parts of the American health care system in terms of costs, according to the Congressional Budget Office.

Then there is the sweeping Affordable Care Act. Passed into law but still undergoing legal challenges, the reform bill is expected to receive a final ruling by the U.S. Supreme Court next year. The majority of its provisions don't start until 2014.

The key part of the bill is the mandate for private health insurance that is designed to pool financial resources to cut overall costs. Critics of the plan say it will restrict medical access along the lines of other countries and will actually increase costs by forcing people to buy insurance.

"All health care is politics," says Bournemouth University's Colin Pritchard. "The key in most other countries is that they see health care as a general value to the community and nation as a whole, rather than just through the patient and their family."

In the end, analysts say, what any given nation spends on health care depends on what citizens want for themselves.

"The differences in health care systems across countries are basically differences in the tradeoffs they have chosen to make," says Baldwin.

"We deliver high quality care with broad access but our costs are higher than anywhere in the world," Baldwin goes on to say. "In Britain they deliver high quality care at reasonable cost but access is restricted. Which system is better or worse depends on the value you place on what you're trying to do."

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