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U.S. SPENDS FAR MORE FOR HEALTH CARE THAN 12 INDUSTRIALIZED NATIONS, BUT QUALITY VARIES

U.S. Spending Linked to Higher Prices and Greater Use of Medical Technology, Not More Doctor Visits or Hospital Stays

May 3, 2012, New York, NY—The United States spends more on health care than 12 other industrialized countries yet does not provide “notably superior” care, according to a new study from The Commonwealth Fund. The U.S. spent nearly \$8,000 per person in 2009 on health care services, while other countries in the study spent between one-third (Japan and New Zealand) and two-thirds (Norway and Switzerland) as much. While the U.S. performs well on breast and colorectal cancer survival rates, it has among the highest rates of potentially preventable deaths from asthma and amputations due to diabetes, and rates that are no better than average for in-hospital deaths from heart attack and stroke.

Higher prices and greater use of technology appear to be the main factors driving the high rates of U.S. spending, rather than greater use of physician and hospital services, finds study author David Squires, senior research associate at The Commonwealth Fund. His report, *Explaining High Health Care Spending in the United States: An International Comparison of Supply, Utilization, Prices, and Quality*, presents analysis of prices and health care spending in 13 industrialized countries.

U.S. health care spending amounted to more than 17 percent of gross domestic product (GDP) in 2009, compared with 12 percent or less in other study countries. Japan’s spending, which was the lowest, amounted to less than 9 percent of GDP.

Higher U.S. Spending Linked to Higher Prices for Goods and Services, Not More Services

High U.S. spending on health care does not seem to be explained by either greater supply or higher utilization of health care services. There were 2.4 physicians per 1,000 population in the U.S. in 2009, fewer than in all the countries in the study except Japan. The U.S. also had the fewest doctor consultations (3.9 per capita) of any country except Sweden. Relative to the other countries in the study, the U.S. also had few hospital beds, short lengths of stay for acute care,

and few hospital discharges per 1,000 population. On the other hand, U.S. hospital stays were far more expensive than those in other countries—more than \$18,000 per discharge. By comparison, the cost per discharge in Canada was about \$13,000, while in Sweden, Australia, New Zealand, France, and Germany it was less than \$10,000.

“It is a common assumption that Americans get more health care services than people in other countries, but in fact we do not go to the doctor or the hospital as often,” said Squires. “The higher prices we pay for health care and perhaps our greater use of expensive technology are the more likely explanations for high health spending in the U.S. Unfortunately, we do not seem to get better quality for this higher spending.”

Prices for the 30 most commonly used prescription drugs were a third higher in the U.S. compared to Canada and Germany, and more than double the amount paid for the same drugs in Australia, France, the Netherlands, New Zealand, and the United Kingdom. Magnetic imaging (MRI) and computed tomography (CT) scans were also more expensive in the U.S., and American physicians received the highest fees for primary care office visits and hip replacements.

Health care in the U.S. also seems to involve greater use of expensive technology than in many other countries. The U.S. performed the most MRI and CT exams among countries for which data were available (Japan had the most MRI and CT scanners, but no data was available on the number of exams performed there). Knee replacements were also performed more often in the U.S. than any country except Germany—though hip replacements were not as common as in most of the other study countries.

High spending in the U.S. might be explained, in part, by the nation’s high rates of obesity and the associated medical costs. However, at the same time, the U.S. also has a very young population and few smokers relative to the other study countries—factors that could offset higher spending linked to obesity, the report notes.

Health Care Quality Varies Widely Despite High Spending in the United States

High spending in the United States does not always translate into high-quality care. According to the report, the U.S. had the highest survival rates in the study for breast cancer, as well as the best survival rates, along with Norway, for colorectal cancer. However, cervical cancer survival rates in the U.S. were worse than average and well below those of Norway.

Compared to other countries in the study, the U.S. had high rates of asthma-related deaths among people ages 5 to 39 and, along with Germany, very high rates of amputations resulting from diabetes. U.S. rates of in-hospital deaths after heart attack and stroke were average.

All of the countries in the study, except for the U.S., provide universal health care, and all struggle with rising health costs. The level of health care spending in the U.S., however, stands apart. If the U.S. were to spend the same share of its GDP on health care as the Netherlands—the country spending the next-largest share of GDP—the savings would have been \$750 billion in 2009.

The Japanese Model of Cost Control

Japan offers an interesting model for controlling costs. Although its health care system shares certain features with the U.S., Japan is the lowest-spending nation of the group (\$2,878 per capita in 2008). Japan operates a fee-for-service system, while offering unrestricted access to specialists and hospitals and a large supply of MRI and CT scanners. Rather than containing costs by restricting access, Japan instead sets health care prices to keep total health spending within a budget allotted by the government.

In the U.S., individual payers negotiate prices with health care providers, a system that leads to complexity—and varying prices for the same goods and services, according to the report.

“The Affordable Care Act gives us the opportunity to build a health care system that delivers affordable, high-quality care to all Americans,” said Commonwealth Fund President Karen Davis. “To achieve that goal, the United States must use all of the tools provided by the law—including new methods of organizing, delivering, and paying for health care that will help to slow the growth of health care costs, while improving quality.”

The Commonwealth Fund is a private foundation supporting independent research on health policy reform and a high performance health system.