

Health Care Spending in the United States and Other High-Income Countries

SYNOPSIS

A study of why the United States spends so much more on health care than in other high-income countries concludes that higher prices — particularly for doctors and pharmaceuticals — and higher administration expenses are predominantly to blame. U.S. policy must focus on reducing these costs in order to close its spending gap with other countries.

THE ISSUE

Health care spending in the United States greatly exceeds that in other wealthy countries, but the U.S. does not achieve better health outcomes. Policymakers commonly attribute this spending disparity to overuse of medical services and underinvestment in social services in the U.S. However, there has been relatively little data analysis performed to confirm that assumption. Writing in *JAMA*, researchers led by former Commonwealth Fund Harkness Fellow Irene Papanicolas and mentor Ashish Jha, M.D., report findings from their study comparing the U.S. with 10 other high-income countries to better understand why health care spending in the U.S. is so much greater.

KEY FINDINGS

- ▶ **The U.S. continues to spend more on health care.** In 2016, the U.S. spent 17.8 percent of its gross domestic product (GDP) on health care, while the average spending level among all high-income countries was 11.5 percent of GDP.
- ▶ **The U.S. has lower rates of insurance coverage.** While health coverage in the U.S. has risen to 90 percent since enactment of the Affordable Care Act, every other high-income country has achieved coverage for at least 99 percent of its population.
- ▶ **The U.S. has mixed levels of population health.** While Americans smoke less than people in other wealthy countries do, they have higher rates of obesity and infant mortality. Life expectancy in the U.S. is 78.8 years, nearly three years less than the average life expectancy in high-income countries.
- ▶ **Except for diagnostic tests, the U.S. uses health care services at rates similar to those of other countries.** Numbers of hospital visits and surgeries performed in the U.S. are similar to those in other countries. However, the U.S. performs 118 MRI scans per 1,000 people, compared to an average of 82 MRIs per 1,000 people among all high-income countries. The U.S. also performs a higher rate of CT scans: 245 per 1,000 people, compared to 151 per 1,000 people among all high-income countries.

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Prices of labor and goods, including pharmaceuticals, and administrative costs appeared to be the major drivers of the difference in overall cost between the United States and other high-income countries.

How the U.S. Health System Compares Internationally

Rank	1	2	3	4	5	6	7	8	9	10	11	Mean
Health-adjusted life expectancy*	JAP 74.9	SWIZ 73.1	FRA 72.6	CAN 72.3	NETH 72.2	SWE 72.0	AUS 71.9	UK 71.4	GER 71.3	DEN 71.2	US 69.1	72.0
Generalist physicians' compensation (in US\$)	US 218,173	GER 154,126	CAN 146,286	UK 134,671	JAP 124,558	FRA 111,769	NETH 109,586	AUS 108,564	SWE 86,607	SWIZ n/a	DEN n/a	133,723
Total pharmaceutical spending per capita (in US\$)	US 1,443	SWIZ 939	JAP 837	UK 779	FRA 697	DEN 675	GER 667	CAN 613	SWE 566	AUS 560	NETH 466	749
Spending on governance/administration (as a % of total national health expenditures)	US 8	GER 5	NETH 4	SWIZ 4	CAN 3	AUS 3	UK 2	SWE 2	DEN 2	FRA 1	JAP 1	3

* Health-adjusted life expectancy is a comprehensive indicator of population health that takes into account mortality and morbidity. It adjusts overall life expectancy by the amount of time lived in less than perfect health. This is calculated by subtracting from the life expectancy a figure which is the number of years lived with disability multiplied by a weighting to represent the effect of the disability.

Adapted from I. Papanicolas, L. R. Woskie, and A. K. Jha, "Health Care Spending in the United States and Other High-Income Countries," *Journal of the American Medical Association*, March 13, 2018 319(10):1024–39.

► The U.S. pays more for ...

- **Doctors.** The average salary for a general practitioner in the U.S. is \$218,173, nearly double the average salary across all high-income countries. Specialists and nurses in the U.S. also earn significantly more than elsewhere.
- **Pharmaceuticals.** The U.S. spends \$1,443 per person on pharmaceuticals, compared to the average of \$749.
- **Health care administration.** The U.S. spends 8 percent of total national health expenditures on activities related to planning, regulating, and managing health systems and services, compared to an average 3 percent spent among all high-income countries.

The Big Picture

The study demonstrates that overall health system performance in the United States does not compare well with that in other wealthy nations, particularly given high U.S. spending — a finding consistent with the Commonwealth Fund's most recent [health system rankings](#). The health care spending gap with other countries appears to be driven by the high prices the U.S. pays for health care services — particularly doctors, pharmaceuticals, and administration. Compared to its peers, the U.S. has similar levels of spending for social services (including both public and private spending) and similar health care use, neither of which appear to be major causes of the spending gap. To reduce spending, the authors say that U.S. policymakers should focus on lowering prices and administrative costs, rather than just reducing use of health care services.

About the Study

The researchers analyzed data on health care spending, performance, and utilization made available by the Organisation for Economic Co-operation and Development and the Commonwealth Fund from 11 high-income countries: Australia, Canada, Denmark, France, Germany, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the U.S.

THE BOTTOM LINE

The United States spends more on health care than other countries do because it pays more for health care services and administration.

I. Papanicolas, L. R. Woskie, and A. K. Jha, "Health Care Spending in the United States and Other High-Income Countries," *Journal of the American Medical Association*, March 13, 2018 319(10):1024–39.

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This summary was prepared by Joel Dodge.