American Healthcare: Are We Getting What We Pay For?

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There is probably no subject Americans argue about more than health care. Some believe the answer is more government involvement, but others believe the answer is less government involvement and more competition. Some believe everyone should have government-provided health care, while others believe Americans should be able to choose the insurance and doctors they want. Perhaps the most important question is even more simple: What are we actually getting for the money we spend?

The United States spends more on health care than any other country in the world — by a very large margin. Yet when we compare our health outcomes with other developed nations, the results are surprisingly poor. That doesn't mean the practice of medicine in America is inferior. Quite the opposite. The United States is home to some of the world's finest hospitals, physicians, researchers, pharmaceutical companies and medical technology; however, a health care system is about more than cutting-edge medicine. It is also about affordability, access, prevention and, ultimately, whether people live longer and healthier lives, and this is where we fall short.

Executive Summary

► The U.S. spends approximately **17.2% of Gross Domestic Product (GDP) on health care**, compared to an average of just 9.3% amongst the 38 richest democratic countries that comprise the Organisation for Economic Co-operation and Development (OECD). The U.S. spends approximately **$14,885 per person on health care**, more than twice the OECD average.

► U.S. life expectancy is approximately **78.4 years**, compared with 84.1 years in Japan, 83.0 years in Australia, 81.9 years in the Netherlands, 81.0 years in the United Kingdom and 84.3 years in Switzerland.

► The United States has approximately **217 preventable deaths per 100,000 people**, compared with just 86 in Japan, 99 in Australia, 100 in the Netherlands and 80 in Switzerland.

► Treatable mortality is approximately **95 per 100,000 in the United States**, compared with 49 in Japan, 47 in Australia, 49 in the Netherlands and 34 in Switzerland.

► Mexico provides an important counterexample. Its life expectancy is approximately 75.4 years, with preventable mortality of 435 per 100,000 and treatable mortality of 230 per 100,000.

How Does the U.S. Compare?

Country	Health System	Universal?	Life Expectancy	Preventable Mortality*	Treatable Mortality*	Spending
United States	Mixed public/private	No	**78.4**	**217**	**95**	**17.2% GDP**
Japan	Mandatory public insurance	Yes	**84.1**	**86**	**49**	**10.6% GDP**
Australia	Medicare + private insurance	Yes	**83.0**	**99**	**47**	**10.3% GDP**
Netherlands	Regulated private insurance	Yes	**81.9**	**100**	**49**	**10.0% GDP**
United Kingdom	NHS	Yes	**81.0**	**156**	**71**	**11.1% GDP**
Switzerland	Regulated private insurance	Yes	**84.3**	**80**	**34**	**~11.7% GDP**
Mexico	Mixed public/private	Broad coverage	**75.4**	**435**	**230**	**~6% GDP**

*Deaths per 100,000 population.

These numbers tell an uncomfortable story … the United States spends considerably more on health care, but Americans generally die younger and have far more cases of preventable and treatable mortality than these other countries.

Australia:

Australia operates a universal public program called Medicare, primarily funded through taxation, but private insurance remains an important part of the system. Life expectancy is approximately 83 years, while preventable mortality is 99 per 100,000 and treatable mortality only 47. Australia demonstrates that universal coverage can coexist with private insurance. The trade-off is that patients can experience longer waits for certain elective procedures and specialist care.

The Netherlands:

The Netherlands takes a different approach. Residents are required to purchase basic health insurance from regulated private insurers. The government establishes the rules, while private companies provide the coverage. Life expectancy is approximately 81.9 years, while preventable mortality is 100 per 100,000 and treatable mortality 49. The Dutch system provides an important lesson for Americans: Universal coverage and private insurance are not mutually exclusive.

Japan:

Japan has universal health coverage through mandatory public insurance, but it is not a government-run hospital system. Patients retain broad freedom to choose their doctors and hospitals. Japan spends approximately 10.6% of GDP on health care, compared with 17.2% in the United States, yet Japanese life expectancy is approximately 84.1 years. Preventable mortality is only 86 per 100,000, while treatable mortality is approximately 49. As you can see, Japan demonstrates that universal coverage can coexist with consumer choice, private providers and relatively modest spending.

The United Kingdom:

The United Kingdom takes a much different approach. The National Health Service (NHS) provides health care largely free at the point of service and is primarily financed through taxation. The advantage is obvious: patients generally don't face insurance deductibles or large medical bills when they receive care. The disadvantage is also obvious: the NHS struggles with capacity, waiting times, and rationing. Nonetheless, the U.K. has a life expectancy of approximately 81 years, with preventable mortality of 156 and treatable mortality of 71 per 100,000. The British system demonstrates that you can reduce financial barriers to care, but you may ration services through waiting times rather than price.

Switzerland:

Switzerland may be the most interesting comparison for Americans. Every resident is required to purchase basic health insurance from regulated private insurers. Patients pay deductibles and coinsurance, and government subsidies help lower-income residents. It isn't cheap, but the results are impressive. Switzerland has a life expectancy of approximately 84.3 years, preventable mortality of only 80 per 100,000 and treatable mortality of just 34 per 100,000. Switzerland demonstrates that universal coverage can coexist with private insurers, consumer responsibility and cost sharing.

Mexico:

Mexico is worth including because it provides an important counterexample. Mexico has broad public health coverage, but its system is fragmented among government programs, social insurance and private providers. It also spends far less on health care than the United States, and the results are dramatically different. Life expectancy is approximately

75.4 years, while preventable mortality is approximately 435 per 100,000 and treatable mortality 230. Mexico demonstrates an important point: Coverage is not the same thing as effective care. Simply giving someone a government entitlement to health care does not guarantee that they will receive timely, high-quality medical services.

So, Is American Health Care Bad?

The short answer is that American health care is not bad, but our delivery system could be improved and costs could be controlled. Contrary to the mostly free market approach in the U.S., virtually all of the countries cited in this article regulate and limit health care costs, prescription drug costs or both in one way or another. Despite the fact that health care costs in the U.S. are generally unchecked, the United States remains a world leader in medical research, biotechnology, pharmaceuticals, medical devices and specialty care. On the clinical side, the Commonwealth Fund has highlighted the US as a strong performer in the 'care process' category, which measures preventive care, safety, patient engagement, and coordination.

The problem with health care in the U.S. is that the system that is supposed to ensure equitable access and delivery of that care falls short for many Americans. We spend more on health care and have enormous and cumbersome administrative complexity than any other country. Additionally, patients face significant financial barriers, and providers spend enormous amounts of time dealing with billing and insurance requirements. In spite of our best efforts, 8.3% of the U.S. population (28 million Americans) are uninsured and lack meaningful access to health care. Moreover, we suffer from substantially higher rates of preventable and treatable mortality than citizens of several comparable countries. This is unacceptable by any standard.

What's the solution?

If only there was a simple answer to this question. I don't think the answer to fixing our broken health care system is to simply copy another country's system. The U.S. is too large and too different economically and politically for that to work. Instead, I think we should learn from what other countries are doing well and phase out things we're not doing well.

The debate over American health care has become so politically polarized that we often forget what the system is supposed to accomplish. It isn't supposed to indulge or reward one particular constituency (*e.g.*, insurers, hospitals or pharmaceutical companies), and it isn't supposed to create and finance yet another government bureaucracy. It's supposed to keep people healthy and treat them when they get sick.

If we can spend 17.2% of our nation's GDP on health care and still have a life expectancy almost six years shorter than Japan and Switzerland, we have to ask a very uncomfortable question: Maybe the problem isn't that America doesn't spend enough on health care. Maybe we're simply not getting enough health care for the money we're spending.