

Slowdown in growth of US health expenditure closes gap between US, other high-spending countries

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OECD warns that "more and bigger" efforts will be needed to contain US health budget to prevent reversal of recent slowdown in health spending growth as economic growth improves

Growth in health expenditure in the USA slowed dramatically between 2000 and 2011, bringing the growth rate of the country's health budget in line with other high-spending countries, according to new research published in *The Lancet* as part of a new Series, The health of Americans.

However, the report's authors warn that future [economic recovery](#) in the USA could jeopardise the substantial progress that has been made towards containing the country's healthcare budget in recent years, and that policymakers should consider measures such as tightening Medicare and Medicaid price controls to avoid spiralling costs driven by an improving economy in the country. The USA currently spends more on healthcare per person than any other country in the world.

The research, which was conducted by the Health Division of the Organisation for Economic Co-operation and Development (OECD), compares the healthcare spending – and the policies that determine it – of the USA and five other OECD countries, selected for their high levels of healthcare spending (Canada, France, Germany, the Netherlands, and Switzerland).

The results show a dramatic decline in the growth of US healthcare spending in the last decade. In 2002, health expenditure growth in the USA was around 7%, compared to an average of just over 3% in the other countries included in the study. However, by 2011, [health expenditure](#) growth in the USA had declined to about 1%, approximately the same as the average [growth rate](#) in the other OECD countries studied. The USA grew less than other countries studied in 2012, despite a slight rebound of [health care](#) expenditure growth, according to new data released by OECD at the same time as this paper.

The declining rate of growth in health care expenditure in the USA during this period is especially striking because, unlike the other five countries studied, during this period the USA started major reforms to expand health care coverage to a wider proportion of the population. 2011 was the first year since the start of the economic crisis when the number of people without medical insurance in the USA dropped, by 1.3 million.

Higher health-sector prices (e.g., hospital care and prescription drugs) are thought to be the main driver of expenditure differences between the USA and other high-spending countries, and the authors highlight the progress that the USA has made in reducing the disparity between its health care spending and other high-income countries. However, because the gains which have been made in reducing health care spending are largely attributable to price dynamics (such as reduced or no growth in physician reimbursement rates, and high use of cheaper generic drugs), the authors warn that any future economic recovery might reverse the progress that has been made in recent years.

According to Luca Lorenzoni, from the OECD in Paris, France, one of the study authors, "The USA are an outlier in the scenery of OECD healthcare systems, for their staggering levels of expenditure, the extent of fragmentation of their system and the sheer complexity of its

administration, the power of vested interests, and the large number of people left without adequate health insurance coverage. Recent years have seen efforts made to contain further growth in health-care expenditure in the US, with rates falling in line with those of other high-spending OECD countries."

"However, this progress is no reason for complacency and more and bigger efforts are needed in the years to come, particularly in controlling the main driver of higher health-care expenditure in the USA—i.e., [health](#) sector prices. The risk that a future sustained economic recovery, and the probable general price increases that would come with it, might offset the gains made in recent years is real and should be anticipated."

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