

# High prices are just one reason Americans spend more on healthcare than Europeans

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High drug prices as well as the excessive use of imaging and surgical procedures, and excessive administrative burdens contribute the majority to America's health care overspending compared to Europe, argues policy expert Ezekiel J. Emanuel, MD, PhD, chair of the department of Medical Ethics and Health Policy at the Perelman School of Medicine at the University of Pennsylvania, in an editorial in this week's *JAMA*.

Americans average a whopping \$9,403 per person in annual [health care spending](#), which is much more than the per-capita health spending in other wealthy, aging countries—Germans and Dutch, for example, average \$5,182 and \$5,202 respectively. But while America's higher prices tend to get most of the attention in analyses of its health care overspending, there are also big differences in the volumes of health care purchases.

"There are twice as many caesarean deliveries per capita in the United States compared to the Netherlands, for example," Emanuel said. "That difference in volume clearly is a major contributor to the overall spending discrepancy—\$62 per capita for caesareans in the US vs. \$9 in the Netherlands."

In the editorial, Emanuel noted that administrative costs are another big contributor, accounting for \$752 per-capita of Americans' annual [health care spending](#), versus just \$208 in the Netherlands, and \$232 in Germany. He argued that health care policy in America should take aim at these major drivers of excessive spending, which could free up

hundreds of billions of dollars for better social uses.

The editorial referenced a new analysis from other researchers in the same issue of *JAMA* which included a comparison of health care expenditures in the U.S. and ten other wealthy countries, most in Europe, and showed that on a per-capita basis, the U.S. spends roughly twice as much as these peer countries. Using the data from this analysis as well as from other sources, Emanuel highlighted several key drivers of this huge spending difference.

One consists of high-price, high-volume surgical procedures such as caesareans, knee and hip replacements, coronary artery bypasses, and angioplasties. Americans per-capita spend 2 to 6 times more on these procedures than their peer country counterparts. "Just the top 25 of these high-margin, high-volume procedures, with cost differences of \$20-\$40 per capita, explains approximately 20 percent of the per-capita healthcare spending difference between the U.S. and other high-income countries," Emanuel said.

Administrative bloat in the U.S. is a second major spending driver, with per-capita costs that are three to five times higher than costs in peer countries.

Medical imaging procedures, meaning mostly CT scans and MRIs, are a third major driver of spending differences, and also involve both high prices and high volumes. "CT scans alone account for \$220 in annual per-capita spending in the U.S., compared to \$23 per-capita in the Netherlands for example," he writes.

The fourth major driver, pharmaceuticals spending, is the only one where high prices are the dominant factor. Americans spend \$1,443 per capita on pharmaceuticals, versus \$566 for Swedes, for example, yet this huge excess is almost entirely due to higher U.S. prices, not higher

volume.

Doctors, too, cost more in America; their average salary is higher than the averages in most peer countries. Yet Americans' net per-capita spending on doctors' salaries isn't much greater than in peer countries, because there are proportionately fewer doctors in the U.S. "There are just 2.6 physicians per 1,000 citizens in the U.S., whereas in Germany the ratio is 4.1 per 1,000 and in Sweden 4.2 per 1,000," Emanuel said. "The difference in per-capita spending on doctors' salaries accounts for only 4 percent of the overall [health](#) spending gap."

Emanuel emphasized that the four largest drivers of excess U.S. spending—high-price-high-volume procedures, administrative bloat, excessive medical imaging, and pharmaceutical spending—account for about two-thirds of the overall per-capita spending gap, and thus should be the prime targets of cost-reduction policies.

Such policies should include government regulation to force down drug prices; mandatory shared decision-making among doctors to reduce the overuse of expensive procedures and imaging; Medicare-style reference pricing to lower per-[procedure](#) costs; and automated/electronic record-keeping to reduce administrative costs.

Even if such policies were to achieve proportionately only a modest amount of reduction, they would liberate very large sums, given the scale of the problem. "If we in the United States could lower the prices and per-capita volumes of our CT scans, MRIs, and just the top 25 high-volume-high-price surgical procedures to those of the Netherlands, for example, we would see savings of about \$425 per capita, or a total of \$137 billion," Emanuel said.

Of the many alternative uses that could be made of that much money, he added, probably none could be worse than its current wastage on

unnecessary—and often risky—medical procedures.

Provided by Perelman School of Medicine at the University of Pennsylvania

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