

**Growing Healthcare Spending:**  
*Can or Should It Be Controlled to  
Prevent a Health System  
“Meltdown” ?*

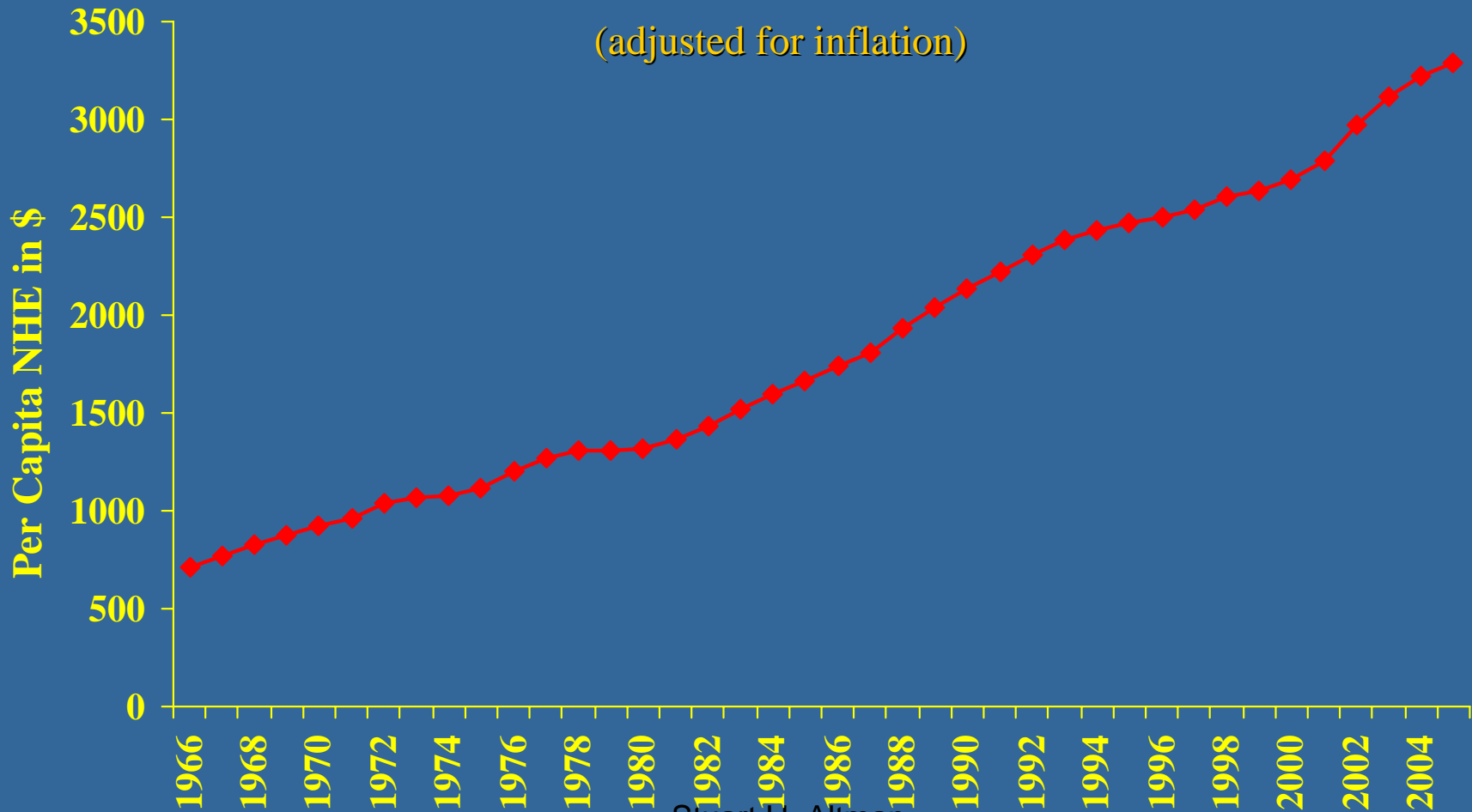
**Stuart H. Altman**

Dean and Sol C. Chaikin Professor  
The Heller School for Social Policy and Management  
Brandeis University

# Growth In Per Capita National Health Expenditure

## 1966-2005

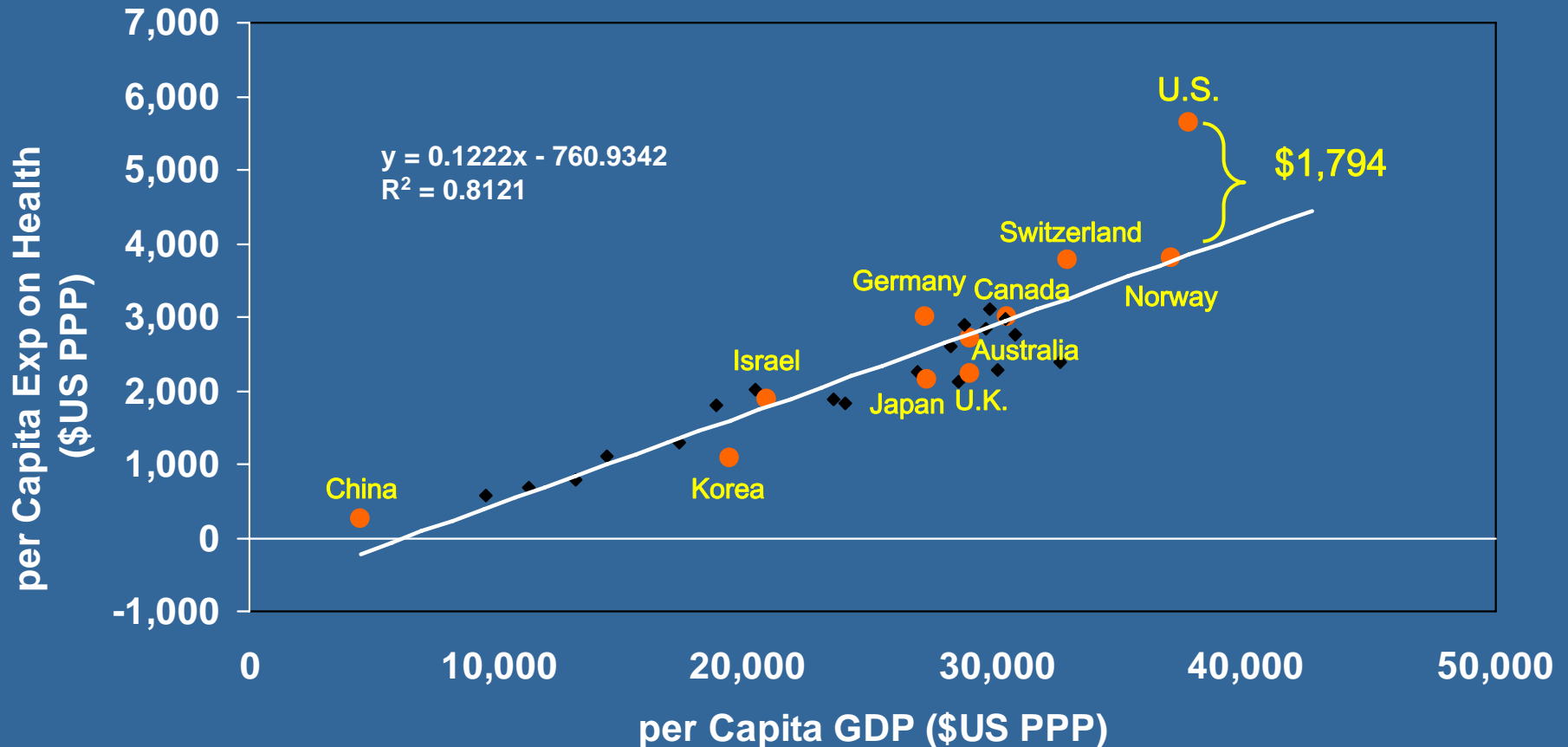
(adjusted for inflation)



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# How Does U.S. Compare To Other Countries?

# Correlation Between Per Capita Expenditure on Health Care and GDP, 2002-2003

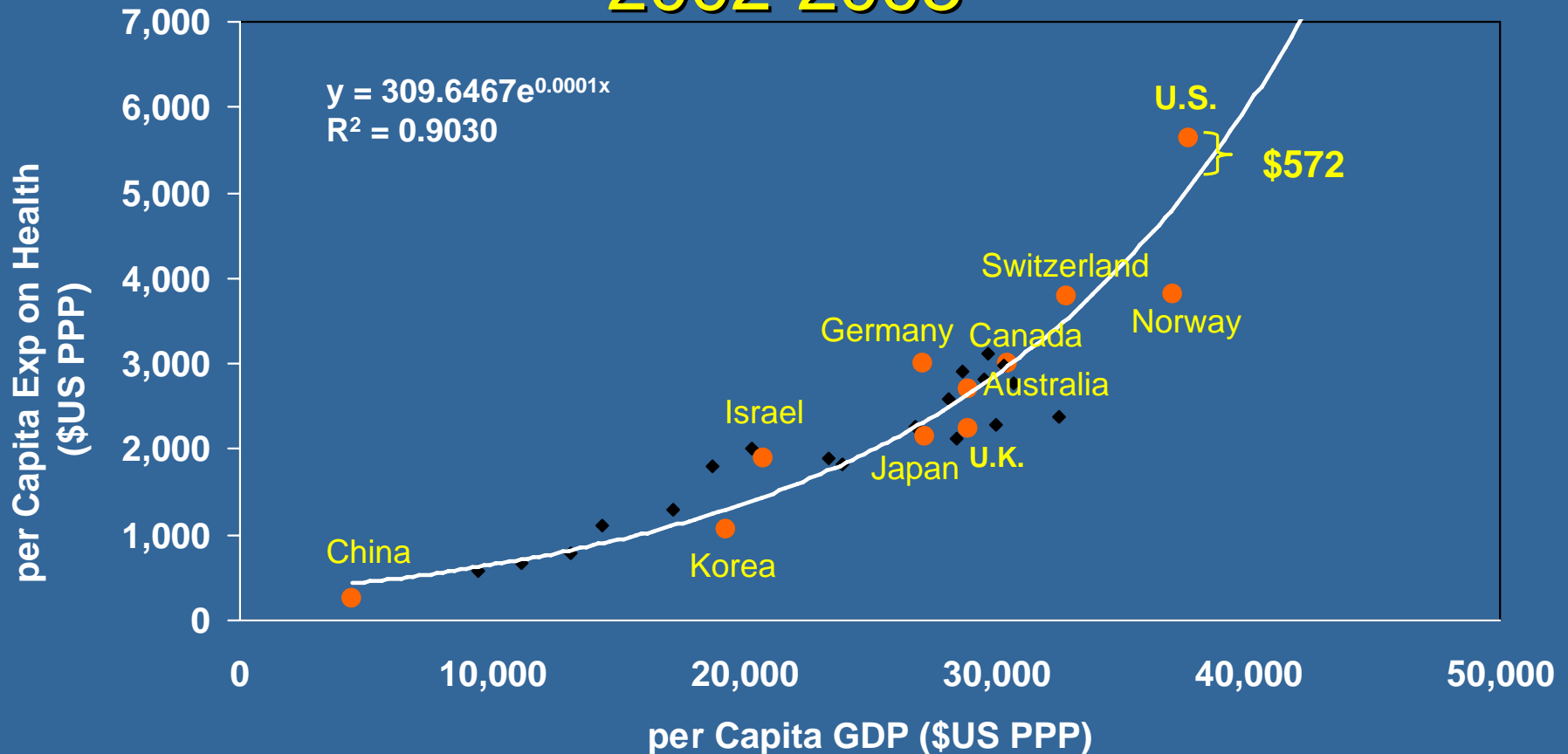


The figure for Japan is 2002 estimate; the figures for Australia, Austria, China, Hungary, Ireland, Israel, Poland, Sweden and United Kingdom are of 2002; the figures for Canada, France, Iceland, Norway and Switzerland are 2003 estimates. The rest are of 2003.

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Source: OECD Health Data 2005 and WHO.

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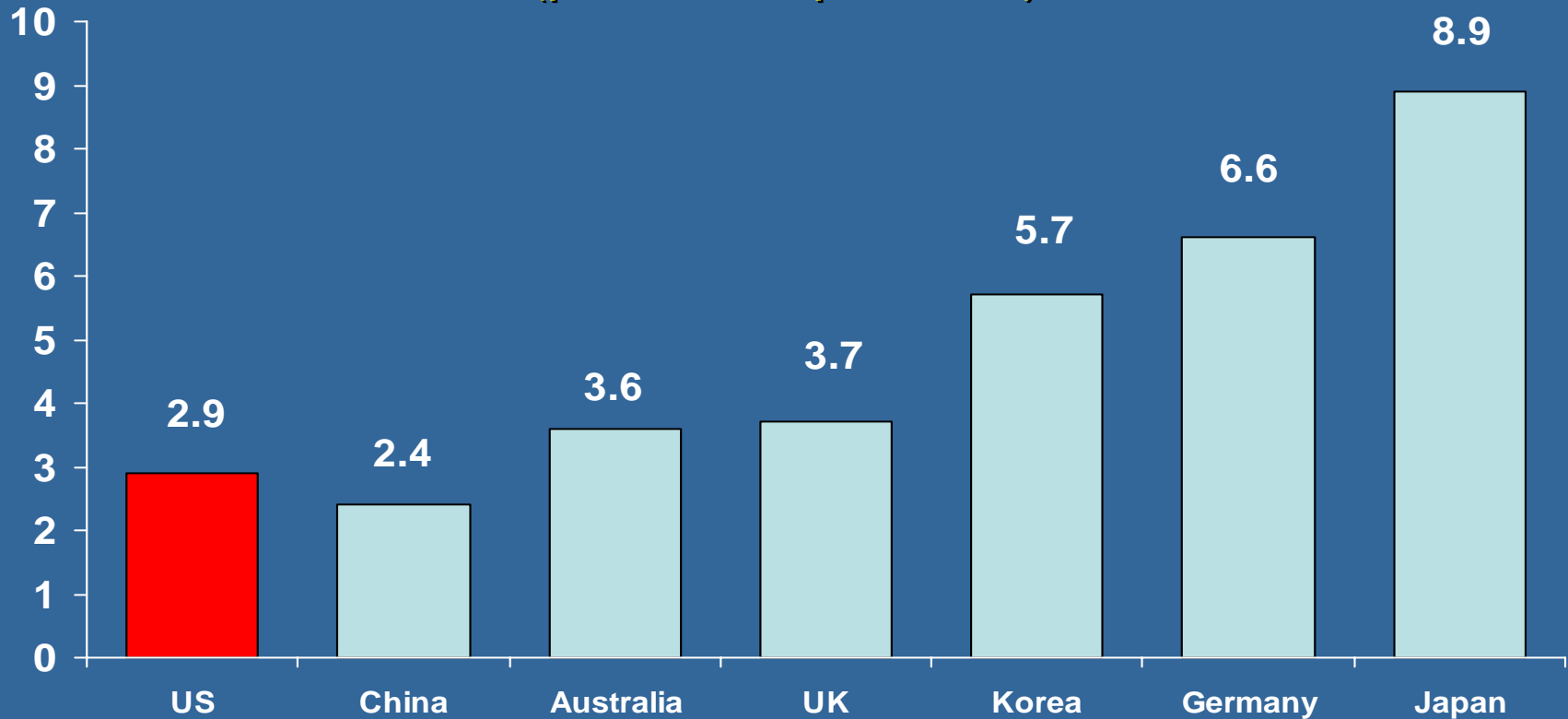
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# Why Is Health Spending Higher In U.S.

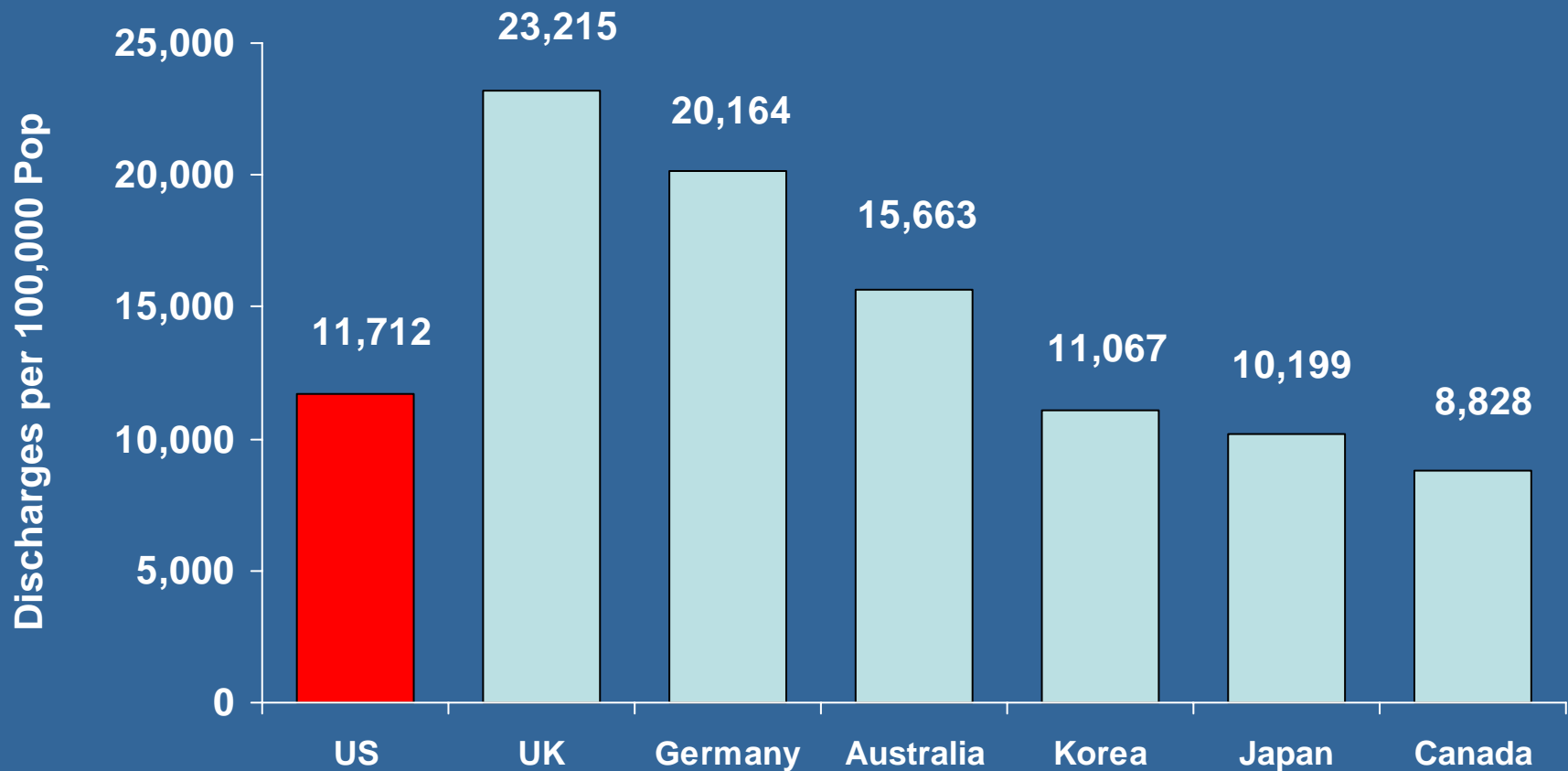
Do We Use More Services or Just Spend More for The Services We Use?

# In-Patient Acute Care Beds in Selected Countries 2002

(per 1,000 persons)



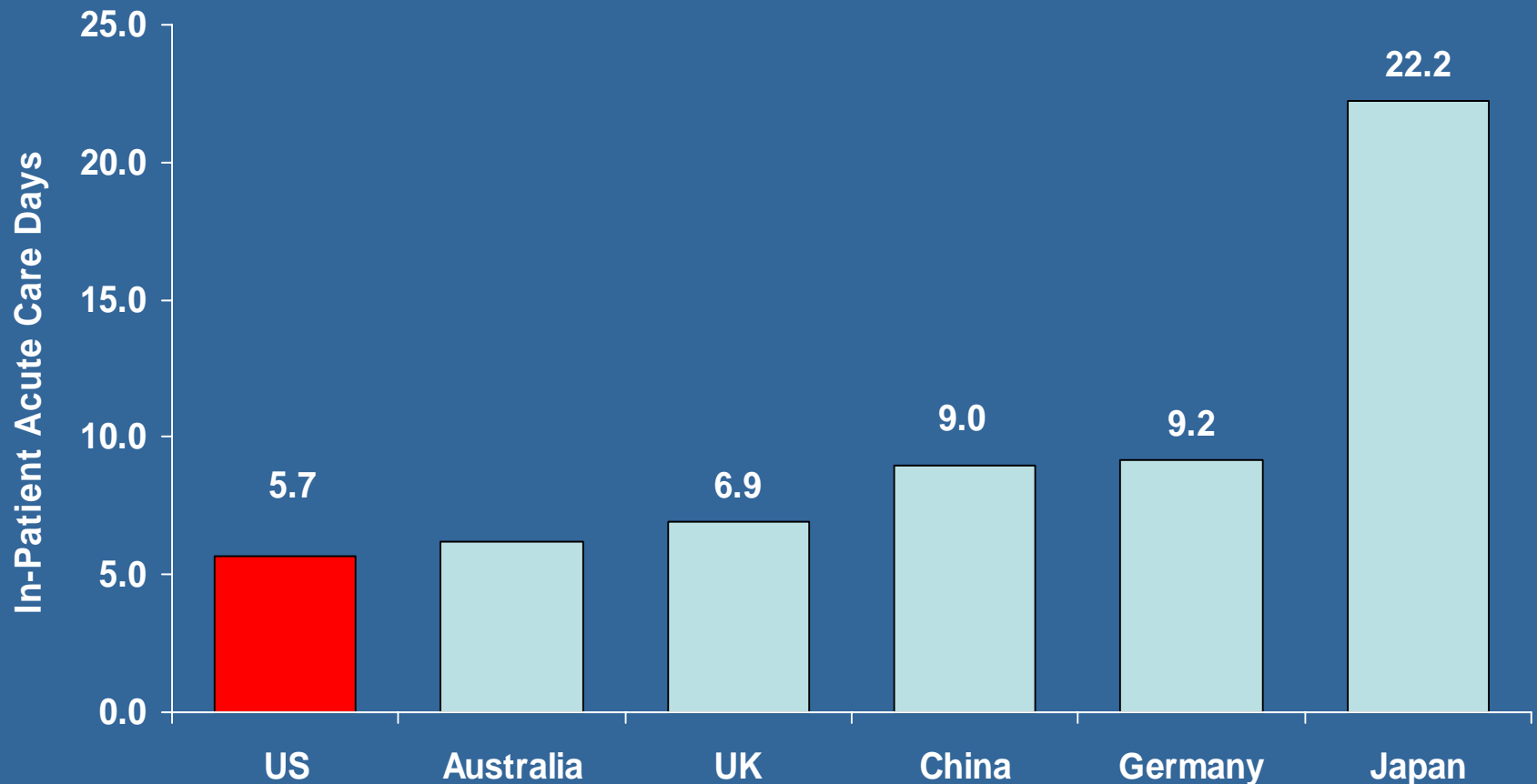
# Hospital Discharge Rate in Selected Countries 2002



Source: OECD HEALTH DATA 2005 Stuart H. Altman

# Average Length of Stay in Hospital in Selected Countries

In-patient Acute Care Days

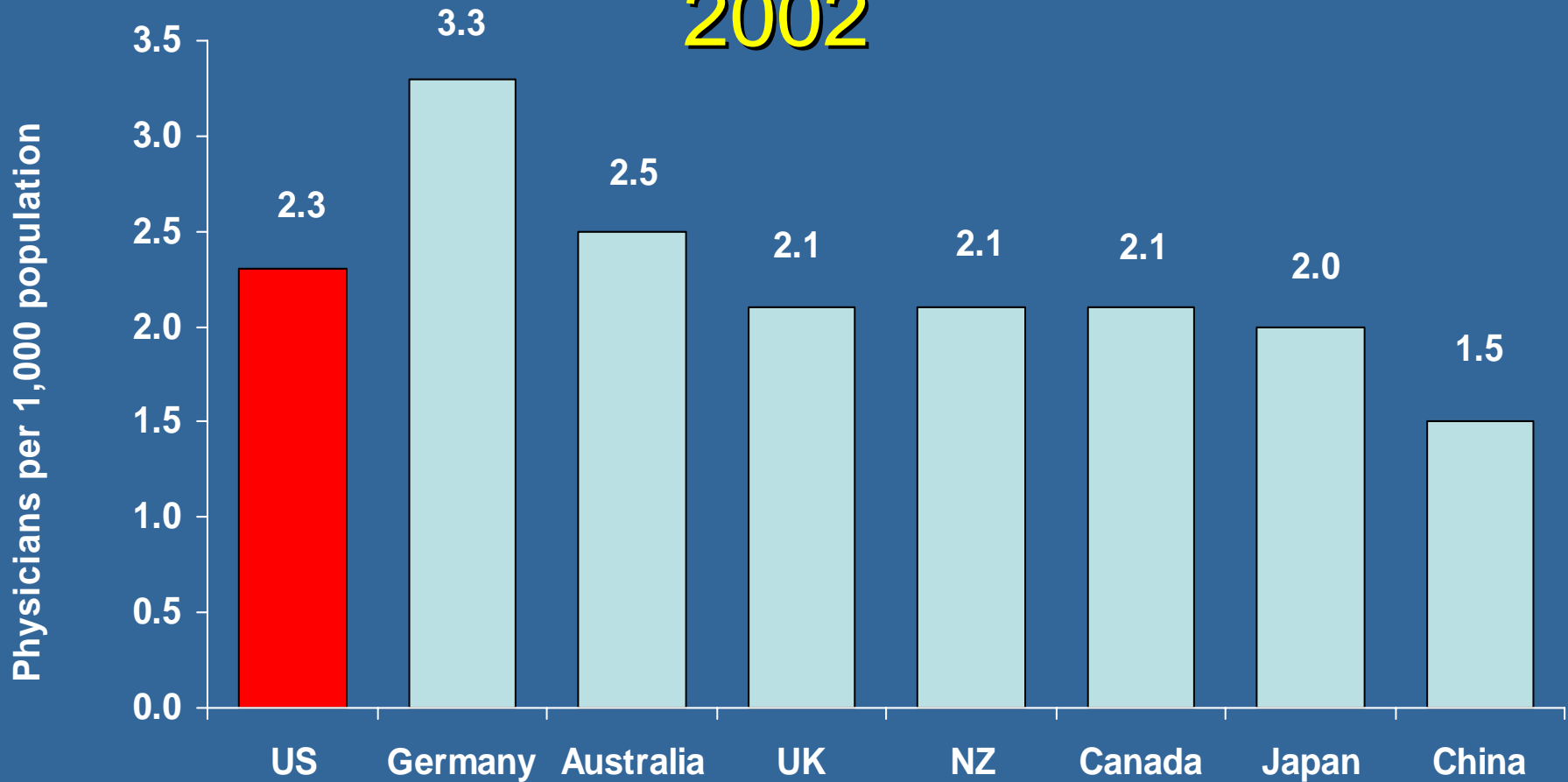


Source: OECD HEALTH DATA 2005

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# Practicing Physicians in Selected Countries

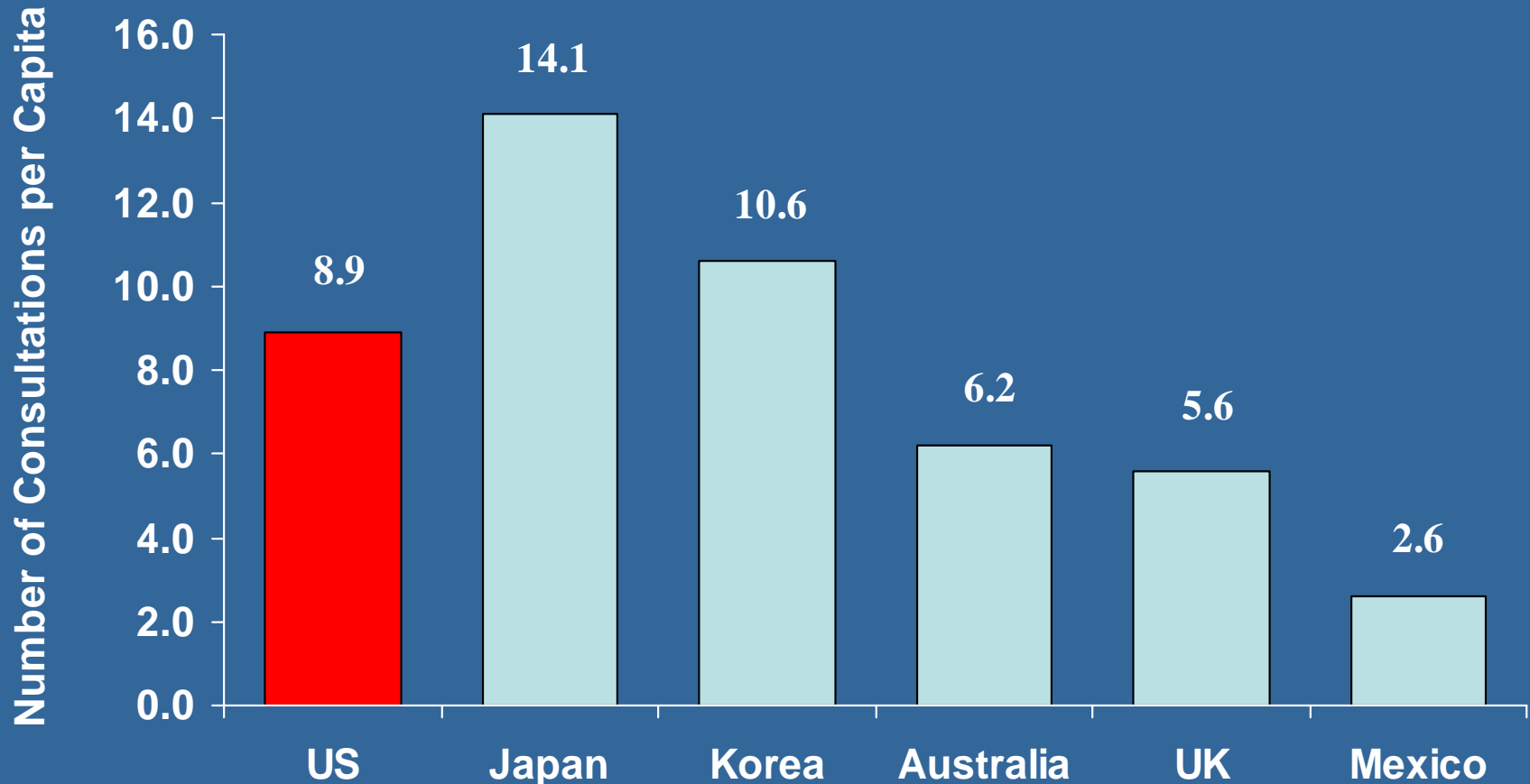
2002



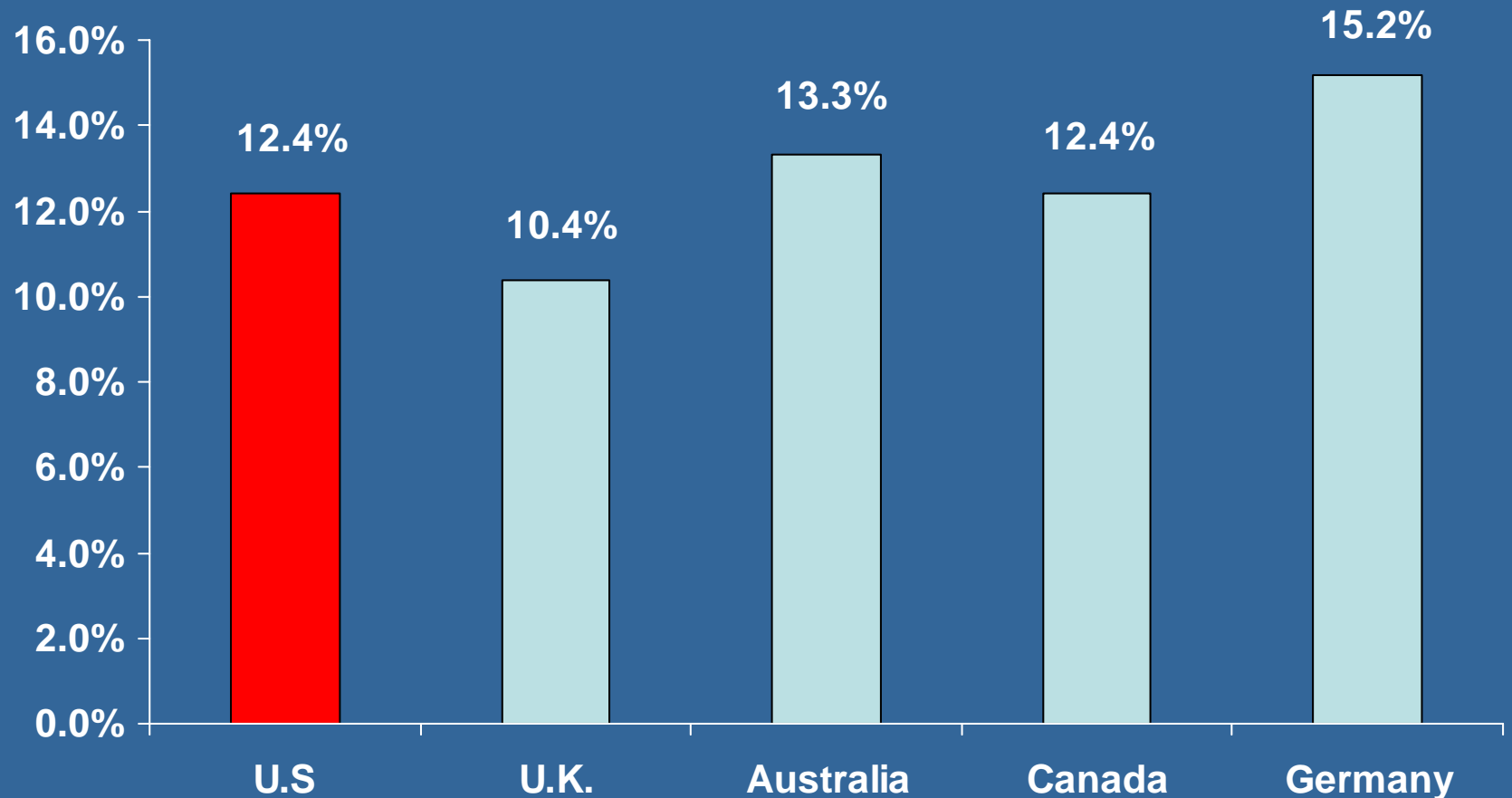
Stuart H. Altman

Source: OECD HEALTH DATA 2005

# Doctors' Consultations per Capita in Selected Countries 2002



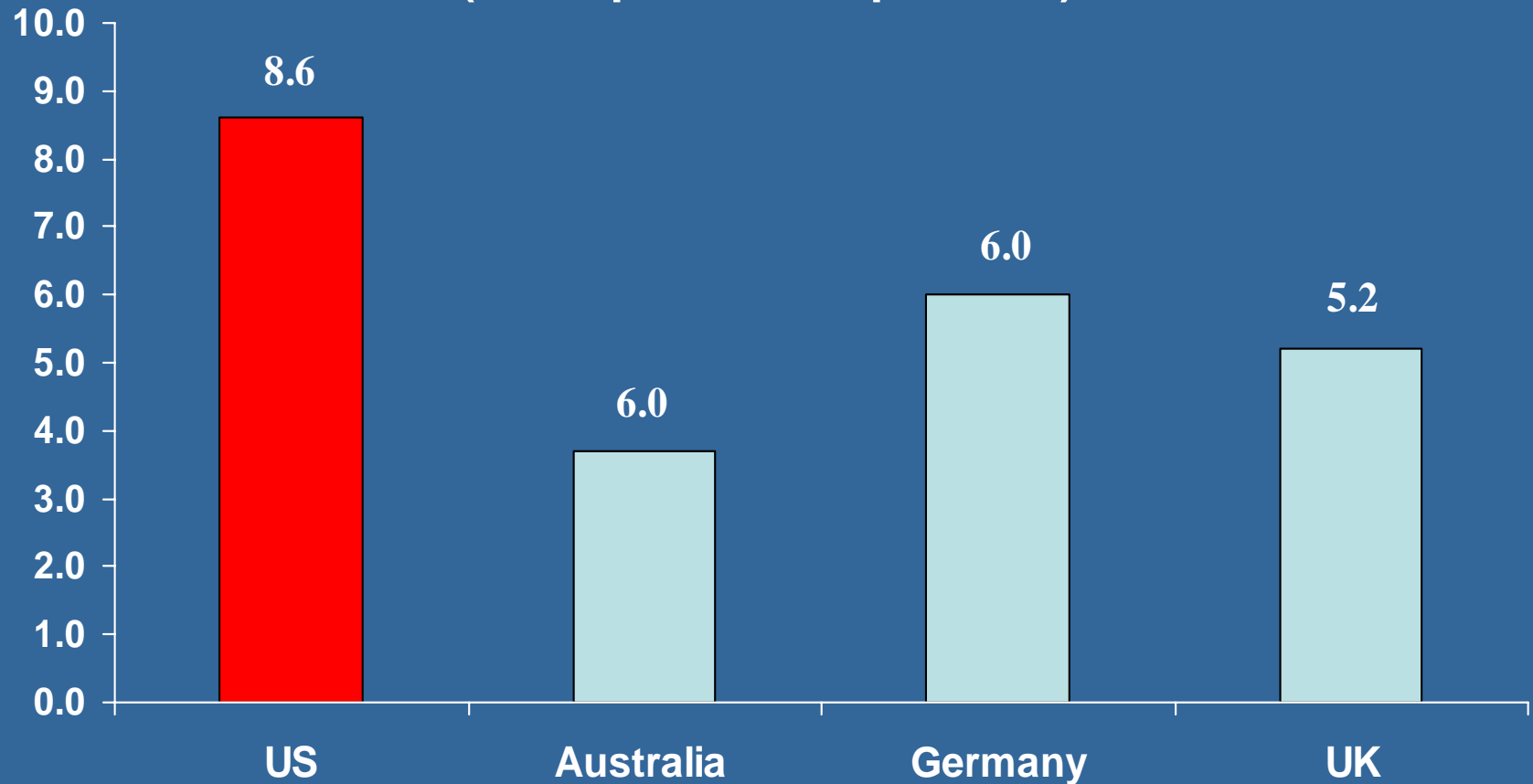
# Percent of Total Healthcare Expenditures on Pharmaceuticals



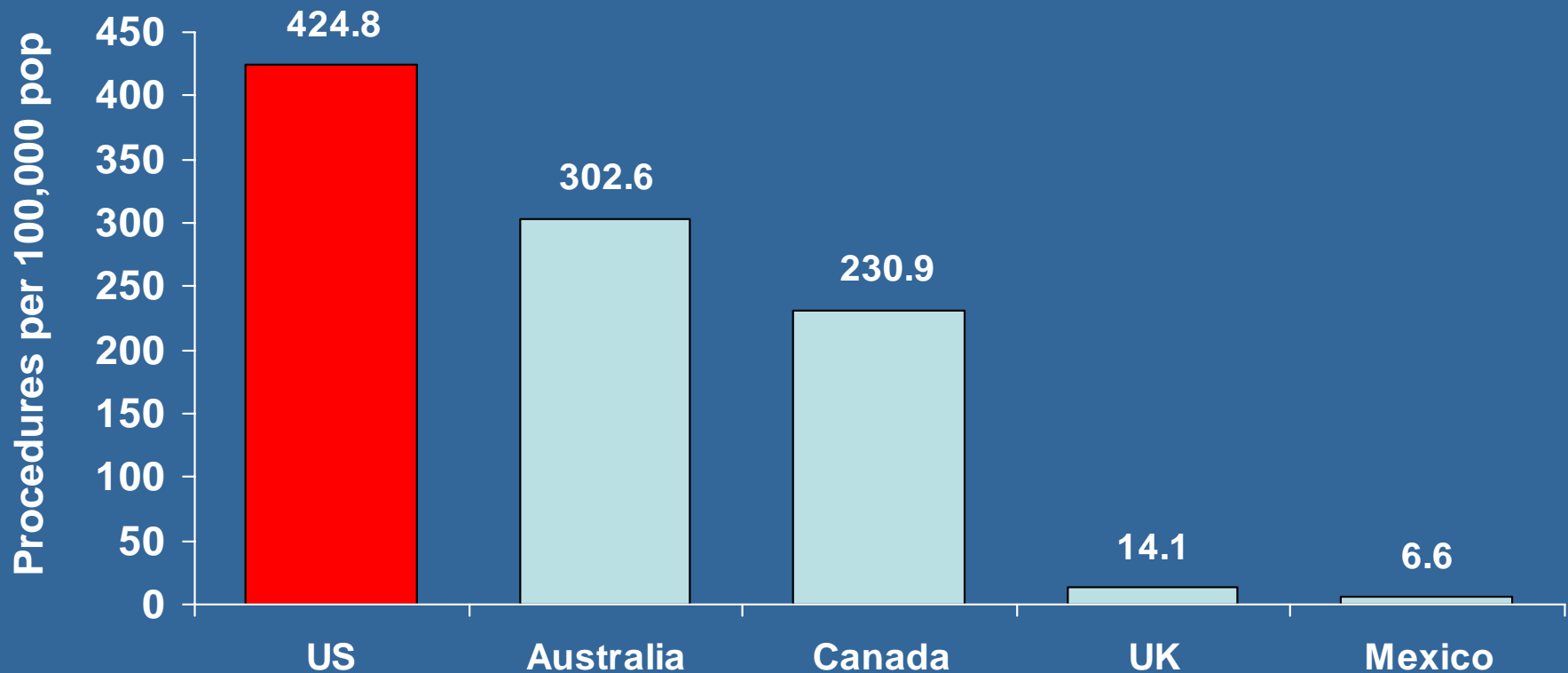
# What About The Availability of Expensive Medical Technology and Procedures?

# MRI in Selected Countries 2002

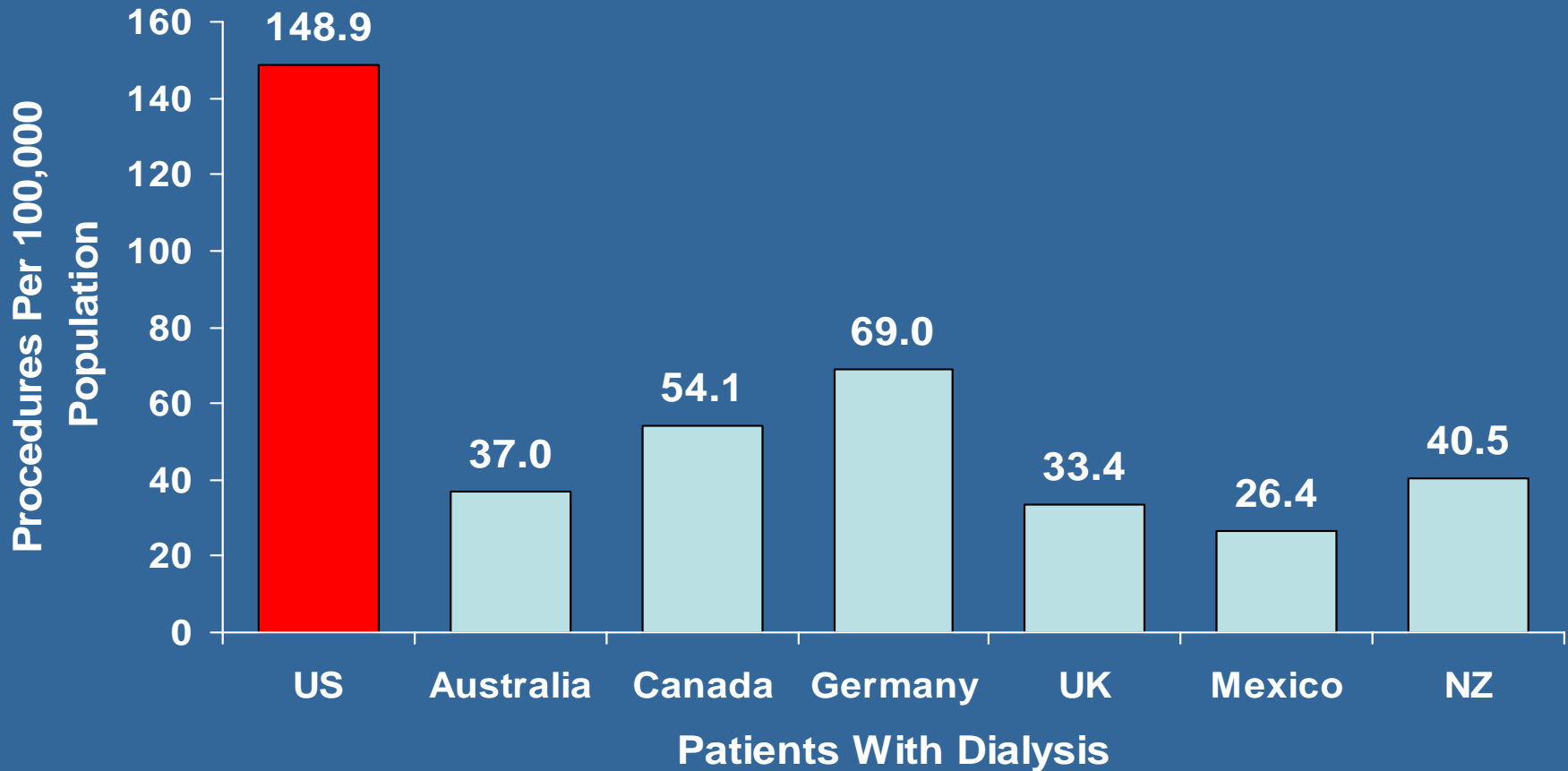
(Units per million persons)



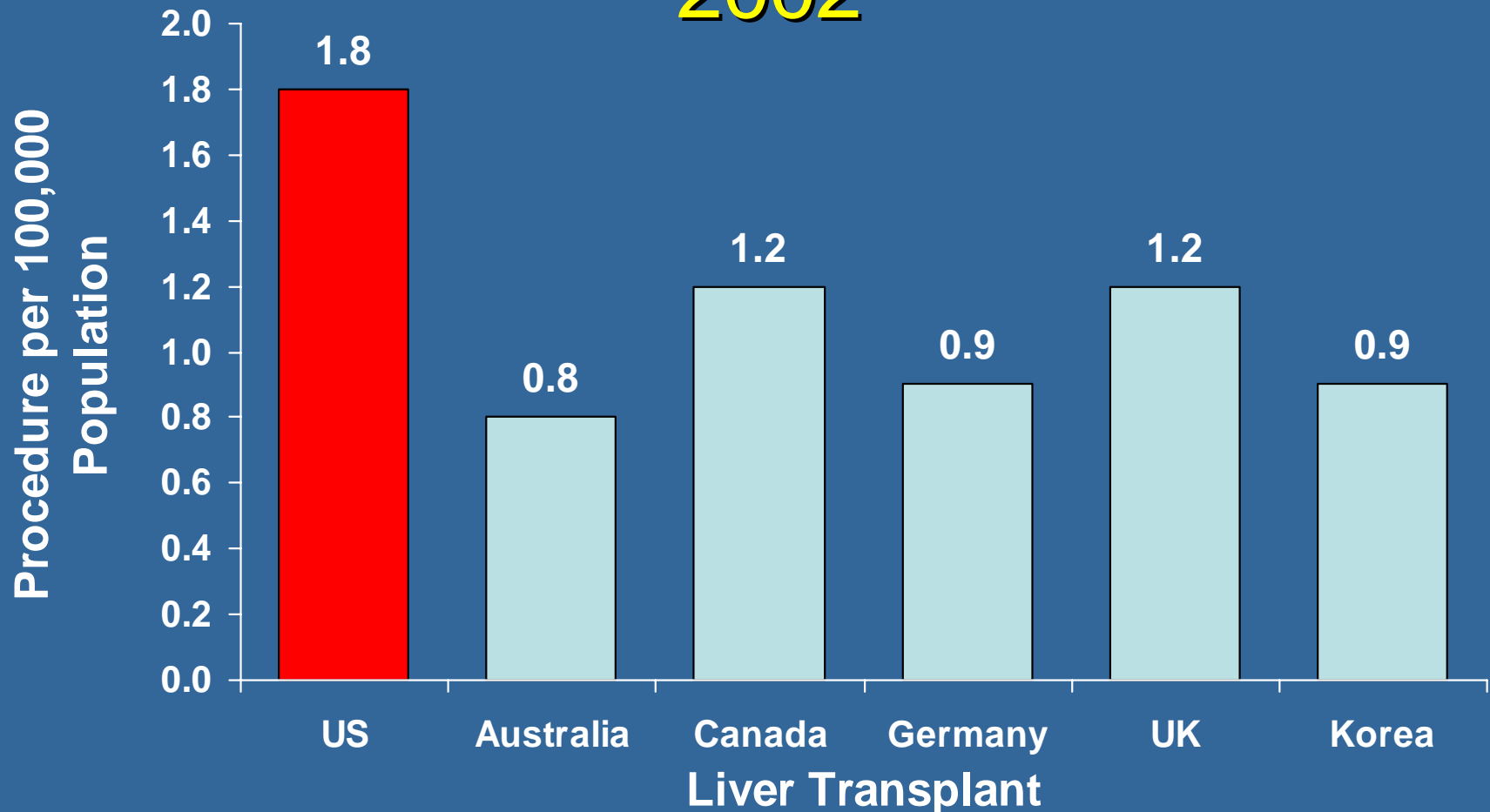
# Cardiac Cauterization Procedures in Selected Countries 2003



# Patients Using Renal Dialysis Treatment in Selected Countries 2002



# Liver Transplant Procedures in Selected Countries 2002



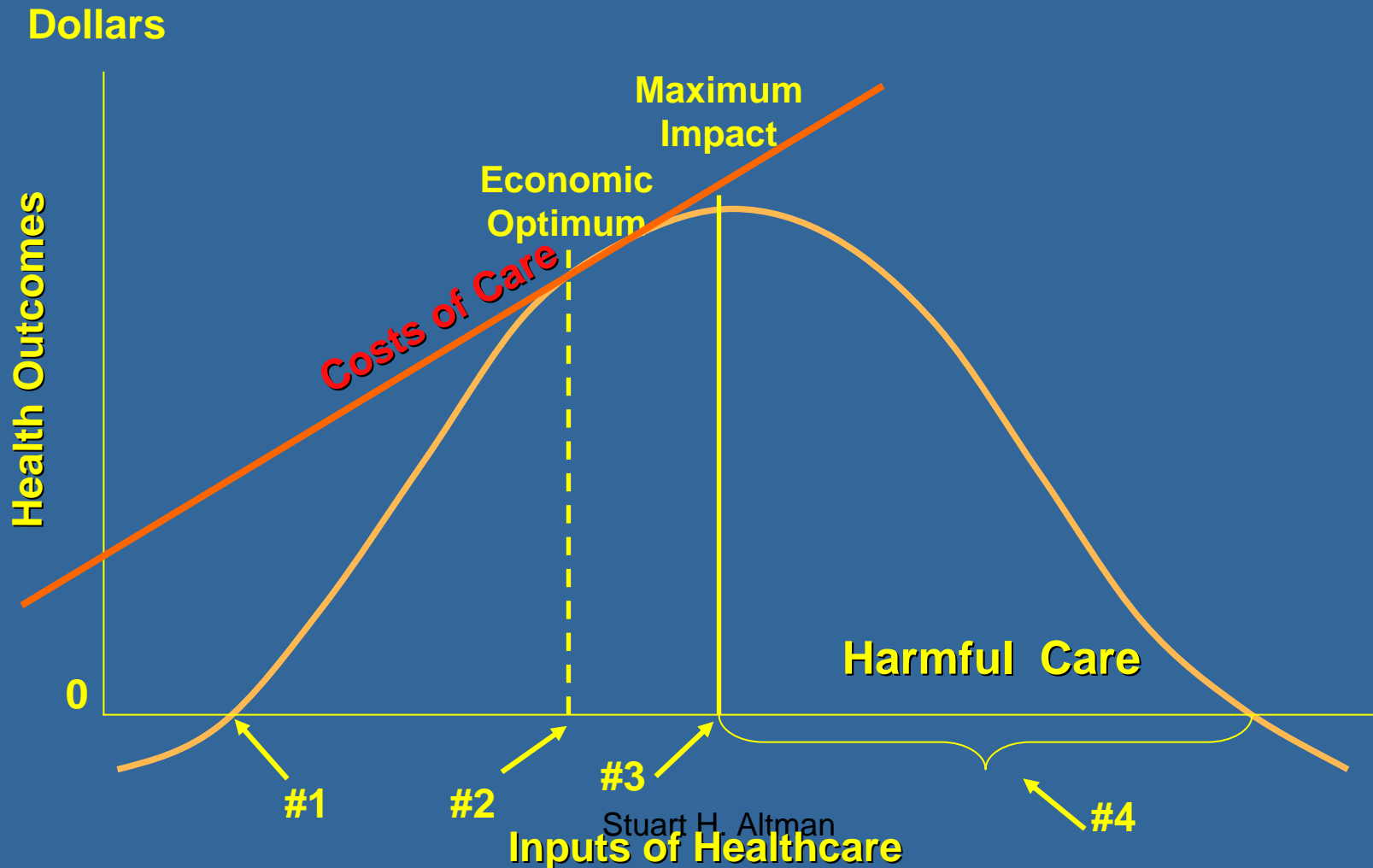
# Technology Is a Major Driver in Health Care Expenditure Growth.- --Is it Worth It?

**“When costs and benefits are weighed together, technological advances have proved to be worth far more than their costs.”**

David M. Cutler and Mark McClellan, “Is Technological Change In Medicine Worth It?” *Health Affairs*, September/ October 2001. Can be found at:  
[http://www/laskerfoundation.org/reports/pdf/cutler\\_mcclellan\\_2001.pdf](http://www/laskerfoundation.org/reports/pdf/cutler_mcclellan_2001.pdf)

**But Is Every Technology That  
Has Some Medical Benefit  
Worth The Costs?**

# Alternative Levels of Healthcare Services And Improvements to Health Outcomes



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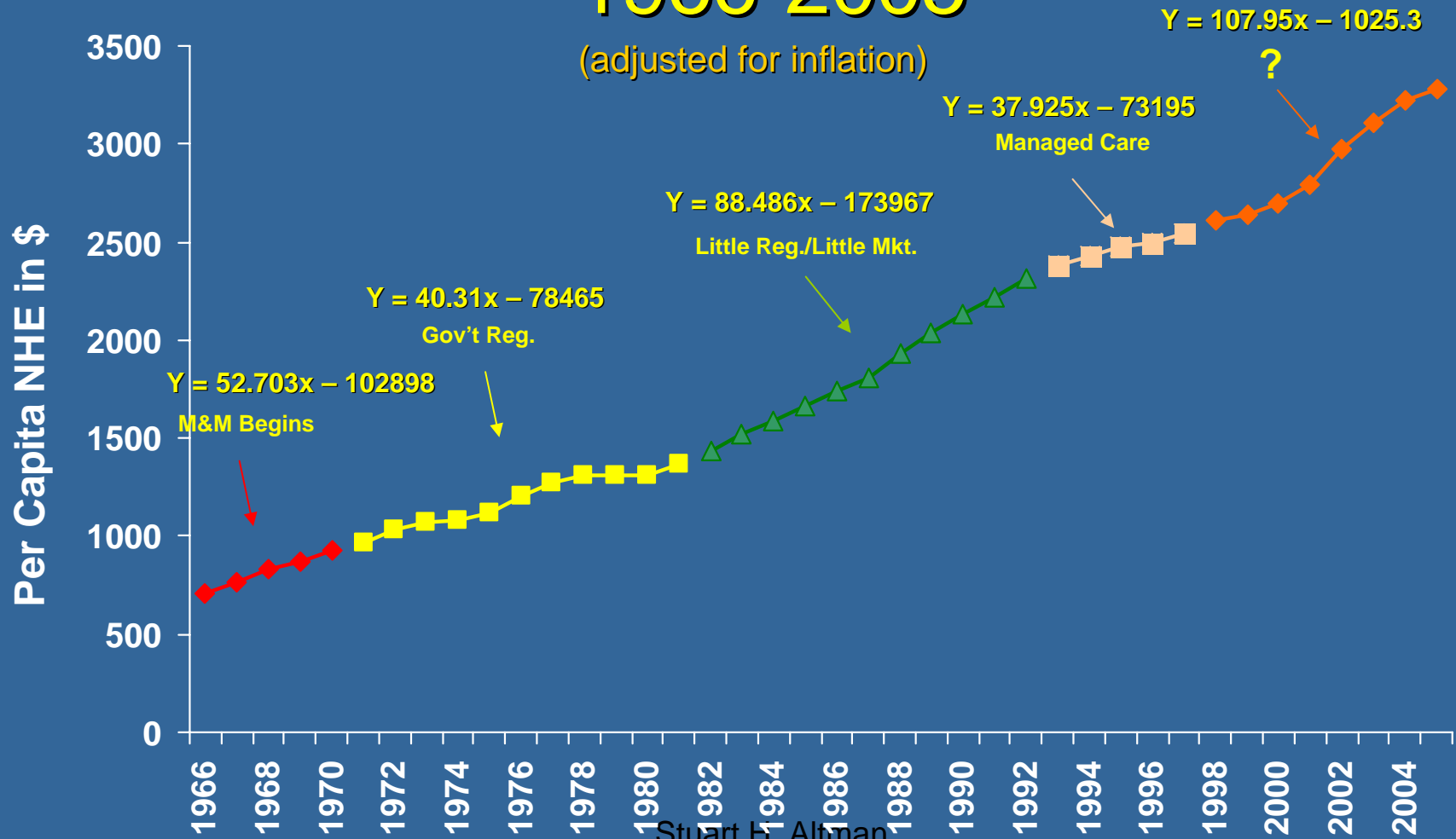
# In Other Countries They Control Spending By Limiting Use of High Cost Medical Procedures Closer To #2

We Can Start By Eliminating The Harmful Services in Category #4. But Also May Need To Move Toward #2

# But Controlling Healthcare Spending In The U.S. Is Not Easy!

**We Have Tried To Control it  
Before With Only Limited  
Success**

# Growth In Per Capita National Health Expenditure 1966-2005



# Why Is Controlling Spending So Difficult?

- The Forces Against Significant Reductions Are Very Powerful
  - **Providers, Insurers and Healthcare Suppliers**
    - Concern About---
      - Reductions In Wages
      - Reductions In Earnings
      - Regulatory Hoops
  - **Patients**
    - Reduced Access to Services
    - Bureaucratic Restrictions
    - Freedom of Choice of Providers
  - **Politicians**
    - Need I Say More

**Health Care In America Is *Big Business*--In Other Countries It is a Social Service**

**Are We Really Going To Change That !**

**Nevertheless We Must Limit  
Growth in Healthcare  
Spending or Face A “Meltdown  
In our Public and Private  
Financing Systems!**

**What Techniques Can We  
Use?**

# Where Should We Begin?

# Techniques for Limiting Growth In Health Spending and Likely Impact

- **Very Limited Impact**
  - Encourage Greater Use of Preventive Services (Short-term)
- **Limited Impact**
  - Provide Better Price and Quality Information
  - Require Patients To Pay More
  - Restrict Use of Harmful Care
  - Reduce Expense and Waste of Medical Mal-Practice System
  - Reduce Administrative Costs of Insurance
  - Develop and Use Government Supported “Comparative Effectiveness Studies
- **Greater Impact**
  - Restructure Payment System--- (Bundled Payment and Value Based Pricing)
  - Restructure Delivery System (Integrated Care)
  - Restrict Use of Marginally Useful Care
  - Limit Supply of Expensive Services
  - Incentives to Use Preventive Services (Long-Term)
  - Expand and Restructure Primary Care---Create Effective “Medical Homes for Patients)
  - Create a Governmental “High Cost Reinsurance System” with Effective Disease Management Systems for Chronic Conditions
  -
- **Greatest Potential Impact**
  - Gov. Regulation of Payments To Providers
  - Establish Global Budgets

--- Now Match Up Impact With  
Political or Practical Reality of  
Implementation ---