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U.S. Still Spends More on Health Care than Any Other Country

Researchers Rule out Supply Constraints and Litigation as Cause

The United States continues to spend significantly more on health care than any country in the world. In 2002, Americans spent 53 percent per capita more than the next highest country, Switzerland, and 140 percent above the median industrialized country, according to new research from the **Johns Hopkins Bloomberg School of Public Health**. The study authors analyzed whether two possible reasons—supply constraints and malpractice litigation—could explain the difference in health care costs.



Gerard Anderson, PhD

They found that neither factor accounted for a large portion of the U.S. spending differential. The study is featured in the July/August 2005 issue of the journal *Health Affairs*.

“It is commonly believed that waiting lists in other countries and malpractice litigation in the United States are major reasons why the United States spends so much more on health care than other countries. We found that they only explain a small part of the difference,” said Gerard Anderson, PhD, lead author of the study and a professor in the Bloomberg School of Public Health’s Department of Health Policy and Management.

The study authors reviewed health care spending data on 30 countries from the Organization for Economic Cooperation and Development (OECD) for the year 2002. U.S. citizens spent \$5,267 per capita on health care. The country with the next highest per capita expenditure, Switzerland, spent \$3,446 per capita. The median OECD country spent \$2,193 per capita.

One of the commonly cited reasons why U.S. citizens spend more on health care than other countries is that these other countries have waiting lists, especially for elective surgery. The procedures with waiting lists in these other countries, however, represent only 3 percent of spending and therefore cannot explain much of the cost differential.

Another perceived cause of higher health care costs in the United States is that malpractice suits increase the prices charged by doctors and cause them to practice defensive medicine, which occurs when doctors order extra tests or procedures to reduce their risk of being sued. The researchers compared the number of malpractice claims and awards in the United States, Canada, Australia and the United Kingdom and found that while U.S. citizens sue more often, the actual settlements from all four countries were comparable.

According to the study authors, defensive medicine probably

contributes more to higher health spending than malpractice premiums, but determining which tests and second opinions should be defined as defensive medicine is less clear. The highest estimate for costs of defensive medicine in the United States is only 9 percent and many experts believe this number is too high.

“We can’t blame the United States’ higher health care costs on limiting procedures in other countries or the elevated number of law suits filed in the United States,” said Peter S. Hussey, PhD, co-author of the study and a recent graduate of the Bloomberg School of Public Health’s Department of Health Policy and Management.

“As in previous years, it comes back to the fact that we are paying much higher prices for health care goods and services in the United States. Paying more is okay if our outcomes were better than other countries. But we are paying more for comparable outcomes,” said Anderson, who is also the director of the Johns Hopkins Center for Hospital Finance and Management.

In 2004, Anderson and Hussey also co-authored, along with Uwe E. Reinhardt, PhD, of Princeton University, [a similar comparison](#) for *Health Affairs*. It was the most-viewed study in the journal’s end-of-year review.

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