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## Health spending report debated

By Gregory Lopes

A new survey seems to bolster the conventional wisdom that the United States doesn't get its money's worth when it comes to health care. But one expert says that compared with other countries, America isn't as bad off as it appears.

A report from the McKinsey Global Institute, an economics think tank, shows that in 2005, the United States spent \$1.9 trillion on health care. That's more money than the nation spent on food and \$477 billion more than any developed country in the world.

But a leading health care analyst said the report made a fundamental economic error by not taking into account the many ways in which other countries subsidize their health systems. The report associates the cost of the services with money spent rather than the resources used, he said.

**"They really missed the boat," said John Goodman, president of the National Center for Policy Analysis.**

**"The suppression of market forces in every**

**country makes cash flows an unreliable indicator of real resource use."**

**In the United States, there are fewer practicing physicians, nurses and hospital beds per capita than in the average country surveyed in the McKinsey report, and, the intake of prescription drugs in the U.S. is 20 percent lower than in those countries, according to Mr. Goodman.**

European governments use their buying power to drive down the reimbursement rates to health care providers, forcing them to take below-market payment. The same is true of Medicare and Medicaid in the United States, but otherwise, our health care system is strictly private. **Mr. Goodman says "monopolistic buying power" does not lower the real cost of health care, it only shifts it.**

**"If health outcomes among developed countries are pretty much the same, the United States does not look so bad in terms of resources used to produce those outcomes," Mr. Goodman**

**said, adding, "The outcomes are probably better or at least as good."**

This is not to say that the United States and its citizens do not spend too much on health care -- just compared with other countries, we're not so bad if one looks at resource use versus cost.

The report reveals some inconvenient truths that make it no surprise there are several proposals on the table to reform the way we pay for health care.

For example, the report points out that the U.S. health care system spends a staggering \$98 billion annually on excess administrative costs and \$147 billion goes toward "inefficiencies and complexities in the system's operational processes and structure."

The report also highlights the increasing volume of unnecessary services that amounted to \$58 billion in 2005.

In addition to slowing the

volume of superfluous physician services and solving inefficiencies in the health care system, one area in which America could tighten its belt is the amount spent on prescription drugs.

Despite the enormous spending output -- once again, more than any developed country -- the United States is actually consuming less drugs than any of the countries in the McKinsey report.

According to the report, the

U.S. health care system doles out \$57 billion a year more for drugs than other developed countries do. Although that level of spending is in part because the newest drugs -- and most expensive -- are available here 18 months before other places, an even more compelling reason is that drug companies charge 60 percent to 70 percent more for brand-name drugs.

Prices on generic and over-the-counter drugs vary considerably, sometimes 10

percent higher and other times 50 percent lower -- so the culpability falls on branded medications.

The administration and the insurance industry are talking more these days about solving the problem of 47 million uninsured Americans. But over-the-top costs have to be stemmed, the report said, before health coverage is extended.