

## CHAPTER 2

# COSTS: SHODDY RETURN ON BIG INVESTMENT

Our hostile health care environment may not be the reason American health care costs are so high, but it is certainly a major factor. We pour more money into health care than any other country, yet we have worse outcomes for it. We spend over \$1 trillion for health care services and products—as much as we do on the U.S. federal budget.

In return, we were rated thirty-seventh internationally by the World Health Organization in terms of the overall performance of our health care system.

### Overall Performance of World Health Organization's Member States 1997

<u>Country</u>	<u>Ranking</u>		
France	1	Switzerland	20
Italy	2	Belgium	21
San Marino	3	Colombia	22
Andorra	4	Sweden	23
Malta	5	Cyprus	24
Singapore	6	Germany	25
Spain	7	Saudi Arabia	26
Oman	8	United Arab Emirates	27
Austria	9	Israel	28
Japan	10	Morocco	29
Norway	11	Canada	30
Portugal	12	Finland	31
Monaco	13	Australia	32
Greece	14	Chile	33
Iceland	15	Denmark	34
Luxembourg	16	Dominica	35
Netherlands	17	Costa Rica	36
United Kingdom	18	United States of America	37
Ireland	19		

With the exception of Russia, we are not even in the same league with our economic peers in the Economic Group of Eight. France is number one. Italy ranks number two. Singapore, Spain, Oman, Austria, and Japan are in the top ten. We come nowhere near that. Canada does not fare all that well either. It is number thirty. Even Britain comes in at a low eighteen.

We rank thirty-second—under Morocco, Slovenia, Singapore and Cyprus in terms of Equality of Child Survival.

**World Health Organization Member States: Equality of Child Survival for 1997 and 1999**

<u>Country</u>	<u>Ranking</u>		
Chile	1	Australia	17
United Kingdom	2	Canada	18
Japan	3	Czech Republic	19
Norway	4	Germany	20
Poland	5	Denmark	21
Greece	6	Luxembourg	22
Israel	7	Slovenia	23
Austria	8	Iceland	24
San Marino	9	Andorra	25
Switzerland	10	Belgium	26
Spain	11	Finland	27
France	12	Sweden	28
Ireland	13	Singapore	29
Italy	14	Monaco	30
Netherlands	15	Cyprus	31
New Zealand	16	United States of America	32

We rank thirty-seventh, even though we spend \$3,724 per person for health care, more than twice what they do in Japan. The Japanese beat us on

life expectancy by about by 4.5 years and spend the equivalent of \$1,729 per person per year. France spends \$2,125, yet their health care is ranked as number one. What's going on here?

In every sector that measures health care quality, we rank with or below third world countries rather than with our peers, even when we are the world's largest economy and spend more on health care than many countries combined. Health care is our single largest industry—14 percent of our Gross Domestic Product (GDP), but America's health care is for those who work and have insurance rather than a commitment to sustain a healthy nation. We are the only nation that considers health care as a form of employee compensation.

Why are we spending so much and getting such bad results?

## **MICROMANAGING**

Nearly 30 percent of all our health care costs are for administration: marketing, executives' salaries and the general infrastructure, such as information systems. Fraud, waste, and abuse account for about another 25 percent of all health care costs. So, if we are lucky, half of what we pay for health care actually goes to pay for patient care.

We have a disease-based system of care that focuses on curing rather than a health-based system that promotes prevention, wellness, and healing. The major medical advances that came

out of the early medical thrusts in World Wars I and II sought cures for what plagued our soldiers—malaria, wounds, and infectious diseases. It was not until World War II and the advent of wonder drugs, such as sulfa and penicillin and, later, antibiotics, that diseases could actually be cured. This ability to cure led to the demand for yet more and more cures—all this barely two generations ago.

We have focused on curing diseases, rather than investing in our people so they can be healthy productive citizens.

Additionally, we have no goal for what a system of care should do. Innovations are left to the separate business plans of various companies who develop products to meet the needs of their shareholders. So, while everyone is rushing to find the cure for cancer, there is no equal rush to immunize all our children or to assure that our frail, elderly seniors will have affordable services and medications.

Most of the stakeholders in our health care system are for-profit enterprises, based on the performance of the companies and the return of profits to their shareholders. For-profit insurers have to show a profit for the owners. Unprofitable product lines—such as their failed Medicare HMOs—are dumped like excess baggage even though lives are at stake

With this market driven approach to health care the driver is profit and not the health of a nation. The investments we do make in health care go to companies and shareholders, not into the people in our communities.

Additionally, the focus of our care is in the hands of medical specialists. Over 80 percent of all our physicians are specialists who are trained to fix things, not prevent them. This specialty focus is re-enforced by the training in academic medical centers that continue to train more and more specialists rather than primary care doctors, thus perpetuating the *cure it* approach to health care.

While debates can exist about the merit of not-for-profit or for-profit healthcare, the fact remains that the business focus of healthcare—and lack of a common agreement on what a system of health care should do—mean drugs, technologies and innovations are driven by the marketplace. Inventions, research and products emerge from individual companies, not from national priorities.

Unlike the other nations in the Economic Group of Eight, we let health care benefits depend on the jobs we hold rather than having national standards for our health and well-being.

With the possible exception of Russia, we are the only nation of the Economic Group of Eight whose citizens live in fear of medical bankruptcy, whether it is seniors fearing they cannot afford

their prescription drugs or marginally insured workers who can be wiped out financially if they are sick—over 600,000 people each year declare bankruptcy because of their medical bills. That we force people to strip themselves of their dignity when they at their most vulnerable is a national disgrace.

As a nation we have not invested in the most important asset we have: the hard-working people who have created the world's richest economy.