



# **BENCHMARKING THE US HEALTH CARE SYSTEM IN THE GLOBAL ECONOMY**

A view from IMD's World Competitiveness Center

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The health care reform debate in the United States continues at fever pitch. Republicans frequently tout their country's health care system as the "best in the world," while Democrats paint a totally different picture. Everyone agrees that change is imperative, but there are stark differences on how to reform. With all the bellicose rhetoric and political squabbling, it is difficult to get a clear picture. IMD's 2009 World Competitiveness Yearbook (WCY), perhaps the most renowned and comprehensive annual report on the competitiveness of nations, offers an objective view.

The WCY approach to benchmarking health relies on hard measures, such as *expenditure on health*, *life expectancy*, *healthy life expectancy* and *infant mortality* and qualitative indicators drawn from the WCY's Executive Opinion Survey, such as *health infrastructure* and *health problems*.

Most countries have to deal with rising costs and aging populations. Medical breakthroughs are effective, but expensive. Rising wealth is one of the key elements propelling growth in demand for health care – especially in driving expectations. Per capita spending on health care strongly correlates with GDP per capita.

The latest edition of the WCY indicates that the United States is paying nearly double the world average and 50% more than most wealthy countries for healthcare; however its performance ranks below many European and even some emerging economies in terms of meeting the needs of the population, ranking 34<sup>th</sup> out of the 57 countries assessed. Still, "medical travelers" flock to the United States for its world-class health facilities more than any other country.

As the populations of wealthy countries grow older, more spending is allocated to the elderly and on chronic diseases involving more sophisticated and expensive technologies and medications. Between 2000 and 2006, world health care expenditures increased by 35%. Since 1970, most European countries have nearly doubled their health expenses and in the United States, health expenditures have risen from around 7% of GDP to 15.3%. At current trends, they could reach 20% by 2050.

Since 1950, the overall life expectancy of the world's population has increased by 15 years thanks largely to improved health care and living standards due to rising GDP. Currently, the worldwide average life expectancy is 66 years. Of the 57 countries listed in IMD's 2009 WCY, Japan has the greatest life expectancy, with an average lifespan of 83 years. The US meanwhile, despite its enormous expenditure on health, is right in the middle with a life expectancy of 78 years (26<sup>th</sup> in the rankings). This is lower than Greece, Portugal or Slovenia, and quite a bit below Canada and France. In terms of infant mortality, the US not only ranks

worse than Canada and the UK, it also places below Korea, Hungary, Poland, Estonia and Croatia. In short, as the US example shows, a health care system that costs more does not necessarily deliver better care, at least not when the entire population is taken into account. The conclusion is that tangible health care results can vary significantly even when two systems cost the same amount of money.

A case in point is Switzerland and the United States, which receive very different evaluations despite both being high-spending nations. Switzerland scores 8.7 out of 10 in perceptions of how well its health infrastructure meets the needs of the population, while the US only scores 4.6. The Swiss are healthier than Americans, and the WCY survey responses show that they are generally happy with their system, which provides high-quality care at costs well below those in the US. Additionally, Switzerland has universal coverage compared to the US that has some 45 million people uninsured. The survey showed that most of the high-spending countries rated their health infrastructure from 6 to 9 (out of 10) for a range of spending that averaged from 8% to 11% of GDP.

The general assessment of health infrastructures in the emerging BRIC economies ranged from 2.5 to 4 out of 10 for spending that ranged from 4.5% to 7.5% of GDP. The best performer is Singapore, which spends only 3.4% of GDP, but has a high health infrastructure rating of 8.3/10, whereas South Africa, which spends 8.6% of its GDP, suffers a high level of dissatisfaction at 2.4/10.

There is a wide variation in GDPs, so it is interesting to look at per capita expenditures. Luxembourg comes in first with \$6,671 spent per person compared to \$6,658 in the US. In contrast to the US, Luxembourg gets a health infrastructure approval rating of 7.9/10. Switzerland spends \$5,869 per person. At the other end of the spectrum, China spends \$91 and Indonesia and India spend the least amount at \$36 per person. But on average, a higher level of spending is associated with better outcomes.

If we look at how long one can expect to live in full health without being incapacitated by injuries or chronic medical problems, we see that Japan falls from 88 years to 77 years and the US from 78 to 71. The good news is that healthy life expectancy has improved significantly, especially in developing countries. This is mainly due to more people being taken out of poverty, improvements in nutrition and diet, greater access to education, especially female education, and more and advanced health technologies.

However, inequalities are still prevalent, mostly because of differences in living standards, measured by GDP per capita, that arise due to political instability, conflicts, poor governance, hunger, malnutrition and diseases that disproportionately affect the poor. These inequalities can be seen in the access to and quality of health services, the financial burden imposed on

individuals and their families, and the responsiveness of the health system to the expectations and needs of users. The burden of out-of-pocket expenses impacts the poorest. This is a major challenge for developing countries.

With the exception of the US, most high-income countries spend an average of 6.7% of GDP on public health care and around 1.5% on private sector care. The high level of spending in the US (15.3% of GDP) is due largely to the fact that its private health care expenditure adds up to more than 6% of GDP. It is difficult to put a price tag on improving one's health, but trade-offs clearly need to be made along with hard choices in order to avoid bankrupting the states that finance them.

As we are currently seeing in the US, ideologies and emotions, political turf wars and scare tactics are complicating the Obama administration's battle to reform health care. There is no perfect system, and decision-makers need to grapple with providing the most effective system with the resources at their disposal. It is not only about how much money is being spent but also *how efficiently* it is spent and how equitable and affordable it is to access health services. Martin Luther King Jr. perfectly described the dilemma when he observed that, "Of all the forms of inequality, injustice in health care is the most shocking and inhumane." May those in leadership look to facts and data rather than political agendas when addressing such inequalities.

*Access the IMD World Competitiveness Yearbook rankings for the following categories:*

*Total Health Expenditure*

*Total Health Expenditure per capita*

*Health Infrastructure*

*Health Problems*

*Life Expectancy at Birth*

*Healthy Life Expectancy*

*Infant Mortality*

***The IMD World Competitiveness Yearbook (WCY) analyzes how nations and enterprises manage the totality of their competencies to achieve increased prosperity based on 329 different criteria, split up into four categories: economic performance, government efficiency, business efficiency and infrastructure.***