



"The Price of Greed: Exploring the High Costs in US Healthcare"

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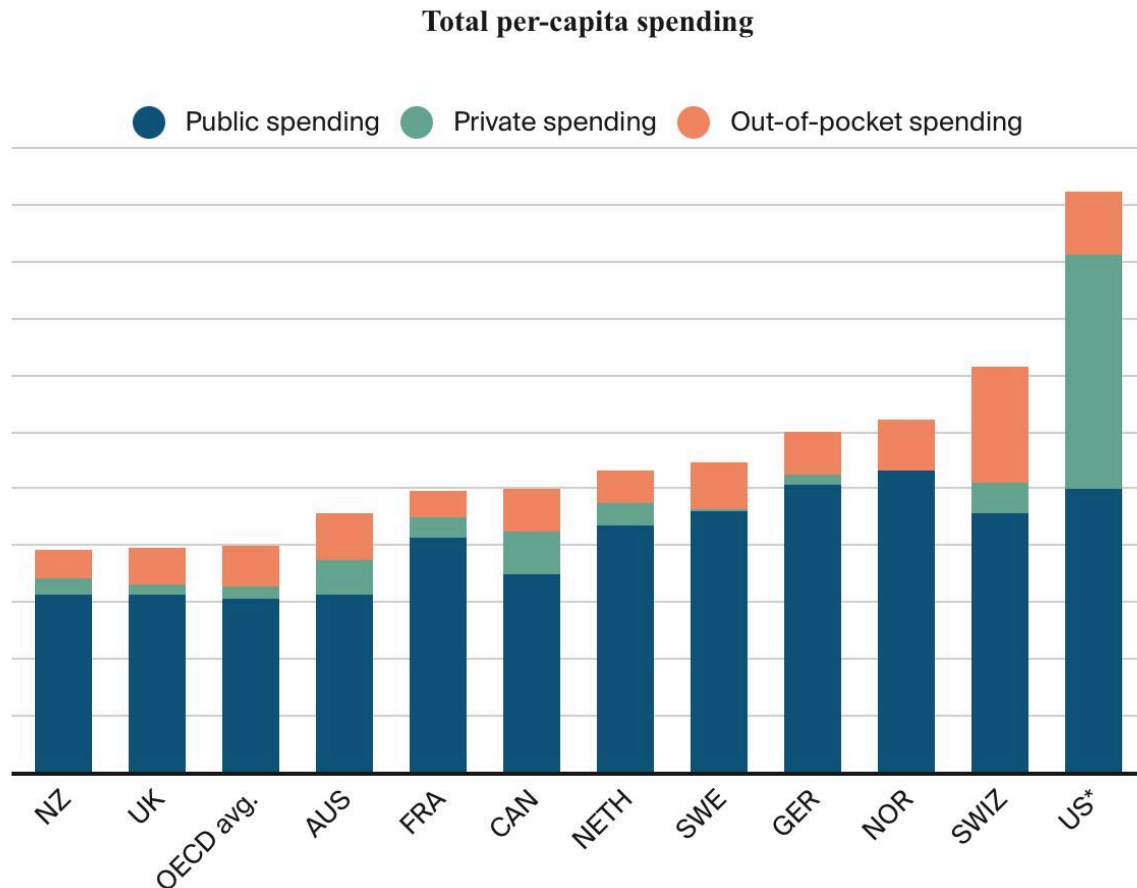
This paper covers the topic of why healthcare in the United States is more expensive than that of other demographically comparable countries. This paper's main focus is on the competitive prices from private healthcare industries. The decreased funding from the US government increases the usage of private healthcare which escalates expenditures. By analyzing the patterns of the healthcare market, and examining the effects of profit-driven goals reveals the complexities of the cost of healthcare in the US. This research is to deepen our understanding of the challenges in the healthcare industry.

Historically, healthcare spending has been based on two major factors, utilization (the number of services used) and price (the amount charged per service). An increase in either can result in higher healthcare costs. A study conducted by the Organization for Economic Co-operation and Development (OECD) reported that the United States was spending over twice the average of other wealthy countries per capita on healthcare. Although the United States spent a disproportionate amount on healthcare than other countries, their total utilization between private, public, and out of pocket was not significantly different. According to the Commonwealth Fund, in 2021, 17% of GDP was spent on healthcare in the US, which is the highest percentage compared to every other country in the world.

One of the vital drivers in the amount of spending on healthcare in the US is because of the pricing. According to the CMS, "US healthcare spending grew 4.1% in 2022, faster than 2021" (CMS.gov) and reflected the increase in "private health insurance spending that was somewhat offset by continued declines in supplemental funding by the federal government." (CMS.gov) While making this connection between the growth in private health insurance and overall healthcare spending may seem far-fetched, we can conclude that private spending has an increased utilization because of the "continued declines in supplemental funding by the federal government". The increased utilization will majorly affect the market in that more people will start to lean on private healthcare services.

In relation, the idea of capitalism incites competition between corporations. Since the US also doesn't provide public healthcare to everyone, private healthcare has to take over. From the Commonwealth Fund, a graph shows data taken from the OECD (Organisation for Economic Co-operation and Development) in 2019 where the public spending in the US is nearly \$5,000 per capita and \$4,000 in private spending (see fig.1).

Dollars (US\$), adjusted for differences in cost of living



Due to the United States capitalist economy, private healthcare services are driven to reaching the top of the industry. This thought of “eat or be eaten” can lead many in this industry to feel some sense of greed. The reason this doesn’t affect other capitalist countries is because healthcare is required for every citizen through either work or a nonprofit. This limits the amount of private spending that is needed in order to have healthcare. Furthermore, the limitation of the private healthcare industry relieves the competitiveness that the US faces and thus, lowering prices.

In contrast to other countries, there are many options for healthcare in the US. Because of this, the utilization of healthcare is very high and thus, the market is high in demand. Due to this high demand, healthcare services are constantly competing for more clients which means there will be a strain on resources like diagnostic tests and medical professionals. This will increase operational costs of healthcare services which results in the need to bump up prices. Considering the data from CMS or Center for Medicare and Medicaid Services, they explain how “Out of pocket spending grew 6.6% to \$471.4 billion in 2022, or 11 percent of total NHE.” (CMS NHE Fact Sheet) Although, this data is from a couple of years, it also predicts the future on how prices will continuously rise. The overuse of some services develop the high utilization which may result in some inefficiencies. Consequently, these inefficiencies drive prices higher and higher.



In conclusion, declines in public spending on healthcare may not be such a wise decision when looking into the future. As the private healthcare industry starts to take over the market where public healthcare falls short, utilization will increase. This will continue the increase in competition and higher pricing which will greatly affect everyone. Our future may end up in some economic problems if we don't strike a balance soon.

References



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