



Addressing Overall Expenditures in the U.S. Health Care



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PART 1

It is important to differentiate between the terms of costs, cost containment, expenditures, and price. Cost is usually the amount spent to produce goods or services. Cost containment is a dominant problem in the health care field, but not addressed from a comprehensive management and policy perspective. In order to fill this gap, there has to be a developed model of the cost-containment process. This model may have implications for management research in several areas, such as cost containment baselines, incentive systems, organization structures, cost/quality trade-offs, and cost containment constraints. Expenditures are the amount spent on health services goods or services. Price is the amount charged for health services.

Total Expenditures

In 2018, the United States spent \$3.67 trillion on the total cost of healthcare services, an average of \$10,739 per person. As compared to the expenditures in 1960, the expenditures in 2007 grew nearly 111-fold in the 54-year period. Expenditures for health service usually constitute the second largest category of governmental expenditures. More specifically, physicians' services usually provide diagnosis, care, and treatment to patients through the highest quality healthcare possible. In 2018, there were 26.4% of US health service's expenditures for professional services including physicians, dentists and all other healthcare professionals. The 2018 funding for professional services was at \$968.8 billion as compared with in 2014 figures as \$603.7 billion and 2007, \$478.8 billion spent, a 50.6% increase over the last decade. The sources of health consumption expenditures included its private insurance (34.4%), Medicare (21.5%), the federal government (10.6%), out of pocket (11.6%), state and local government (6.6%) and others insurance and public health programs (15.3%).

Expenditures for physicians and clinical services continue to constitute the second largest proportion of personal health services expenditures for selected years, 1960-2018. Just over one-half (52%) of the national health spending is 'hospital care', and 'physicians' services. Doctors are caught between the desire to provide quality care and the desire for cost control on the part of the payers, including preferred provider organisations, Medicare, and Medicaid. The primary reasons for the yearly increase in health service's expenditures over the years from 1960-2018 include the general inflation, aging of the population, medical price inflation, technology and increased intensity of services provided per capita, the availability of the health insurance, the increased number of elderly who would avail more health care services and the growth in national and personal incomes. Though in 2018 hospital care continued to be the highest percentage (32.4%) concerning expenditures for personal health services, the distribution was not as relatively stable as the distribution of the professional service for 1960 to 2018. On the other hand, some similarities would include the same factors affecting each of the health services expenditures; that is the 'physicians services' and the 'hospital care'.

Cost Containment

Most importantly, we have to consider that health care spending for a given population might be roughly defined as a function of five basic factors: population needs or morbidity; access to services; propensity to seek services; volume, nature, or intensity of services supplied or ordered, and; unit cost or price of services. One approach to cost containment is reducing the need for physician services, regarding, the providence of primary and secondary prevention, health promotion and education, health behaviour based premiums and patient safety and reduce medical errors.

Both the supply and demand will be affected by this approach. Concerning the supply, the services of physicians as an example of this cost containment insight would remain almost the same, where their services are tailored to other services. Regarding the demand, these physician services will be lower than the usual.

Part 2 will be published on 19th June

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