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***Health Costs Absorb One-Quarter of Economic Growth, 2000-05***  
***Recent Federal Report Obscured This Unsustainable Rise***  
***Physician Decisions Key in Controlling Costs***

Unsustainable health care spending increases are absorbing one-quarter of U.S. economic growth, a new study finds. *[See Exhibit 9 from the study, attached.]* The Health Reform Program at the Boston University School of Public Health reports that if health care spending had grown only as fast as gross domestic product, the U.S. would have saved \$1 trillion over five years, and \$280 billion this year alone. *[See Exhibit 6.]*

Projected health care spending of \$1.9 trillion in 2005 will consume 15.5 percent of the economy, the new report says, up sharply from 13.2 percent in 2000. Further, Professor Alan Sager and Deborah Socolar, directors of the Health Reform Program, estimate that health spending in 2005 will be nearly double spending on education, and 3.6 times defense spending.

With health costs already growing too fast, the nation cannot rely on even higher spending to fill gaps for the uninsured and under-insured, the report concludes. Indeed, all Americans are at risk. "Action now to control health costs is vital, to prevent medical meltdown when our fragile economy slows," said Dr. Sager. "We must contain cost in ways that squeeze out waste, and mobilize the savings to finance high-quality care for us all—and to pay all needed caregivers adequately," he continued.

The report calculates that 2002 U.S. health spending per person was 2.1 times the average in Canada, France, Germany, Italy, Japan, and the United Kingdom. That is ample to cover all Americans, the authors find, especially because a vast share goes to unnecessary services and administration, high prices, and other wasteful expenses.

The report examines growing requirements for higher patient payments, described by some as “empowering consumers.” The authors conclude that this is a “pass-the-buck policy which forces patients to deny themselves care” and promotes under-insurance. The report cites evidence that this approach is not clinically safe, and cannot durably contain costs or protect needed caregivers. In addition, this leaves savings—if any—unavailable to expand coverage.

Documenting that doctors’ decisions control about 87 percent of personal health spending, the Health Reform Program report discusses why patients are the wrong target for cost controls, and physicians are key. *[See Exhibit 10]* The study concludes that to make care affordable, “Americans must rely ultimately on careful decision-making by well-informed physicians paid in ways that minimize incentives to either over- or under-serve.”

To cut waste, said Socolar, the best tool is “not the bludgeon of HMO regulations, risky policies requiring sick people to pay more, or the gamble of omitting coverage for certain services, but thoughtful physician decisions about what care is appropriate for which patients.”

The nation’s precarious economy makes it urgent to develop a contingency plan for flat real health spending, the report concludes. “This means negotiating and testing political deals to balance private and public interests to win affordable, high-quality care for all. With spending already adequate to care for all Americans, there is great reason for optimism.”

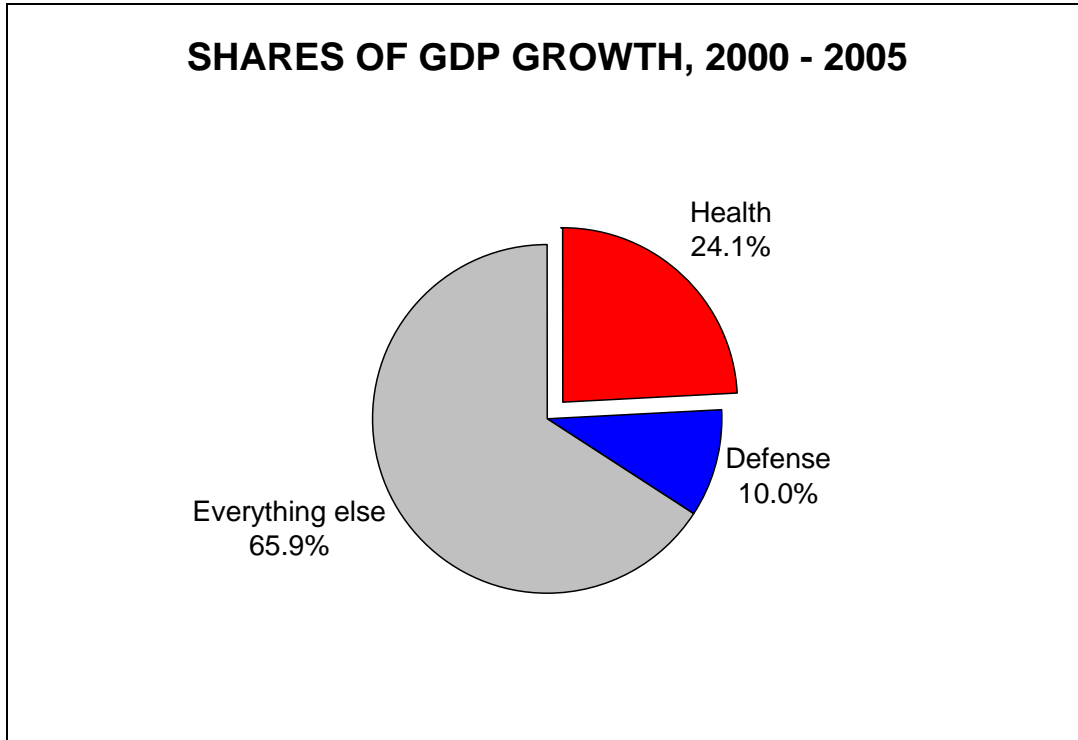
The authors find that federal health officials were overly optimistic in recent statements highlighting 2003’s slightly slower health spending increases as “good news.” The report’s single-year focus also unintentionally obscured the continued unsustainable rise in health costs, Sager and Socolar assert. In addition, they note, a journal news release and some coverage erroneously called the 2003 rise the “slowest in seven years.” Although health spending’s rise for the first time in seven years did not accelerate, the new report shows that 2003 brought the third-largest percentage rise in a decade and the second-largest dollar rise ever.

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*[Editors: Three exhibits from the report follow--]*

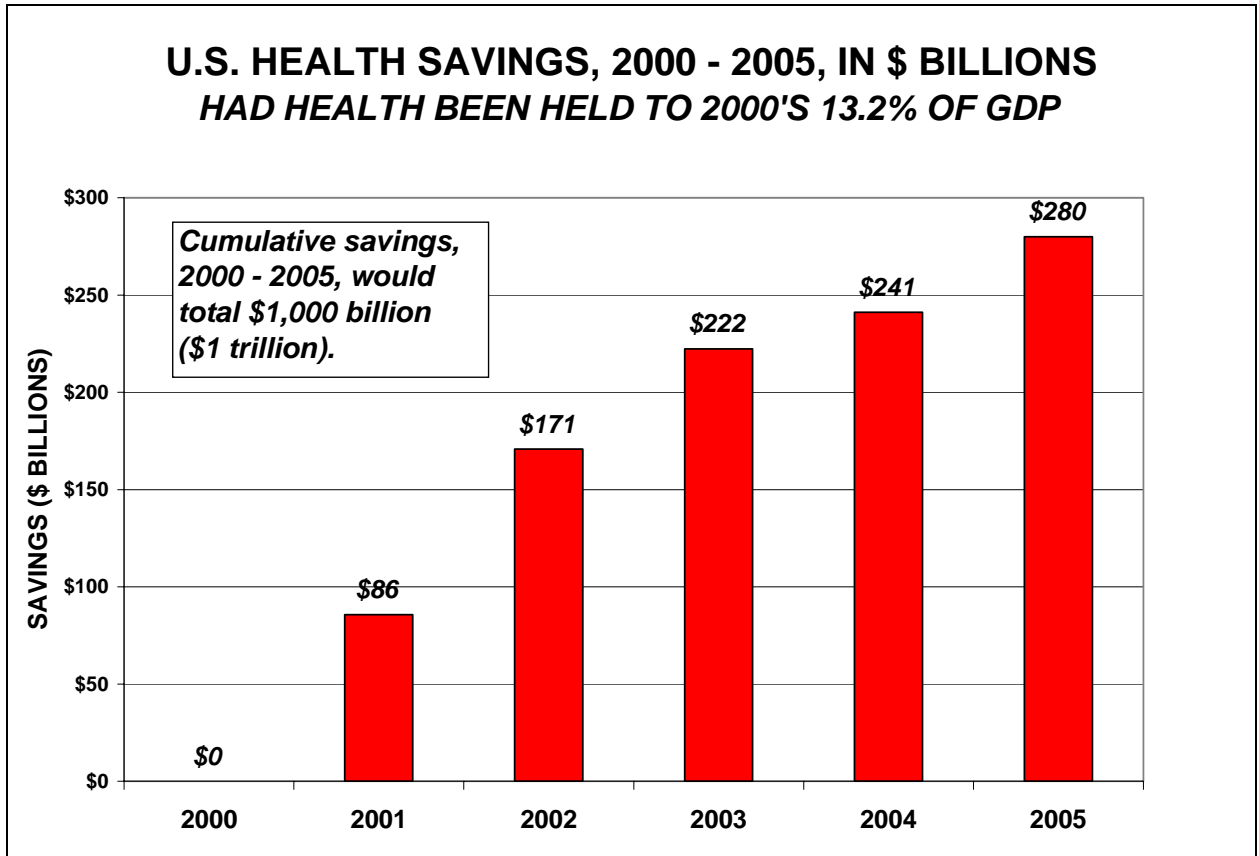
*Exhibit 9*

**HEALTH CARE EATS UP ONE-QUARTER OF GDP GROWTH**



**GDP in 2005 is expected to be \$12.4 trillion, up by \$2.6 trillion from \$9.8 trillion in 2000. Soaring health care costs have consumed nearly one-quarter of that economic growth.**

**Exhibit 6**



**Exhibit 10**

**PHYSICIANS RECEIVE OR CONTROL 87% OF  
U.S. PERSONAL HEALTH SPENDING, 2003**

