



The Business Roundtable **Health Care Value Comparability Study**  
Executive Summary



## Health Care Costs Put U.S. Workers and Employers at a Significant Disadvantage Compared With Global Competitors

According to the Business Roundtable Health Care Value Comparability Study, a new measure of the “value” (cost and performance) of the U.S. health care system relative to our competitors’ systems on a weighted scale, the workers and employers of the United States face a 23 percent “value gap” relative to five leading economic competitors – Canada, Japan, Germany, the United Kingdom and France (the “G-5 group”) – and a 46 percent “value gap” compared with emerging competitors Brazil, India and China (the “BIC group”). What does this “value gap” mean for our ability to compete in the international marketplace?

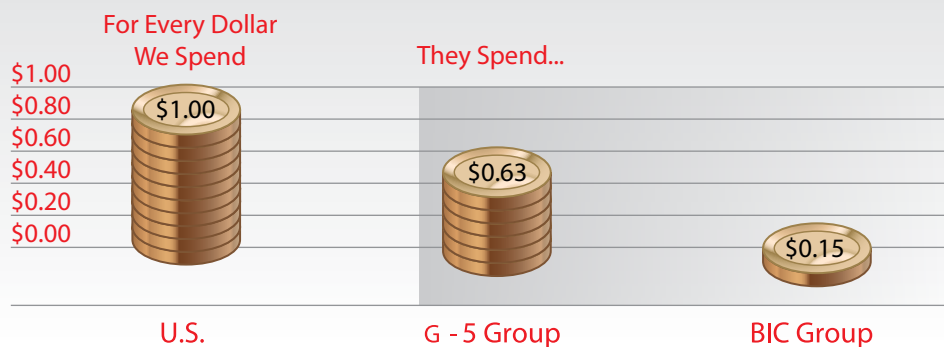
### Health Care Value and Global Competitiveness

In many important respects, the American health care system is among the best in the world. When it comes to scientific advances, medical technology and the quality of our best doctors and medical institutions, the United States is without peer. But this country’s health care system, in its average performance, is becoming increasingly expensive and burdensome to businesses and families – costs that, without some restructuring of the system, will put the benefits of this amazing medical expertise beyond the reach of an increasing number of Americans.

As a group, employers and workers in G-5 countries spend approximately 63 cents for every dollar we spend on health care. The gap is even wider when we look at the BIC group; they spend just 15 cents for every dollar we spend on health care.

**Chart 1**  
Combined Weighted Comparison Score on Health Spending

U.S. Employers and Workers Spend Significantly More on Health than G-5, BIC Counterparts



**Unfortunately, these spiraling costs may be jeopardizing more than just care.**

Faced with a deepening economic crisis, it has never been harder for U.S. companies to compete in the global marketplace. While today’s economic challenges span the globe, companies in other countries may be able to better weather the storm, in part because they get a better “value” on health care – they spend less on health care and their systems keep their workforces healthier than America’s.

“ *When it comes to scientific advances, medical technology and the quality of our doctors and hospitals, the American system is robust. But health care is beyond the reach of an increasing number of Americans. From our perspective, the problem with the U.S. health care market is that it doesn't really function as a market – it leaves major consumer needs unmet, costs unchecked by competition and basic practices untouched by the productivity revolution that has transformed every other sector of the economy.* ”

***Ivan Seidenberg, Chairman and CEO, Verizon Communications***

As the Business Roundtable Health Care Value Comparability Study shows, our relatively higher spending and lower return on investment creates a health care “value gap” that places U.S. companies at a significant global competitive disadvantage:

- Higher health care spending in the United States diverts resources from investment in new products, equipment, facilities and jobs needed to keep America competitive in the global marketplace.
- The higher spending that should lead to a healthier workforce, strengthening our ability to produce and innovate, currently does not.

**Our health care system is actually harming our ability to compete effectively in the global economy.**

## Understanding the Problem So We Can Engineer a Solution

Business Roundtable has a plan that, we believe, will put us on the path to a competitive health care system. But before we can implement a successful plan, we must fully understand the scope of the problem.

Until now, there has been no systematic and ongoing method for measuring the impact of our health care spending – and our return on that investment – on U.S. global economic competitiveness. To fill this void, the members of Business Roundtable commissioned the global health consultancy Mercer Health Benefits and a national expert advisory panel of health economists, researchers and clinicians to develop the Business Roundtable Health Care Value Comparability Study: a measure of the “value” (cost and performance) of the U.S. health care system relative to our competitors’ systems, and the resulting impact on U.S. global economic competitiveness.

This first annual Business Roundtable Health Care Value Comparability Study provides an initial “snapshot” based on data collected for 2004, 2005 and 2006, the most recent period for which data was available. Future issues of the study will identify competitiveness improvements or declines.

“What’s important is that we measure and compare actual value – not just how much we spend on health care, but the performance we get back in return. That’s what this study does, and the results are quite eye-opening.”

**Ed Hanway, Chairman and CEO, CIGNA Corporation**

## Top-Line Findings: A Substantial Health Care Value Gap

**On a weighted scale, U.S. business faces a 23 percent “value gap” relative to five leading industrialized competitors – and a 46 percent “value gap” against three rising economic powers.**

- Combining 19 internationally reported measures in a weighted scale that takes into account both the spending on, and performance of, our health care system, the United States stands at a 23 percent disadvantage relative to five leading economic competitors – Canada, Japan, Germany, the United Kingdom and France (the “G-5 group”) – and a 46 percent disadvantage relative to the emerging competitors of Brazil, India and China (the “BIC group”).

### **SPENDING: We spend significantly more...**

- As chart 1 on page 2 shows, as a group, workers and employers in G-5 countries spend approximately 63 cents for every dollar we spend on health care. The gap is even wider when we look at the BIC group; they spend just 15 cents for every dollar we spend on health care. These health spending gaps persist after adjustment for our higher per capita GDP.

“And today, there are those who say we should defer health care reform once again – that at a time of economic crisis, we simply cannot afford to fix our health care system as well. Well, let’s be clear: the same soaring costs that are straining our families’ budgets are sinking our businesses and eating up our government’s budget too. Too many small businesses can’t insure their employees. Major American corporations are struggling to compete with their foreign counterparts.”

**President Barack Obama**

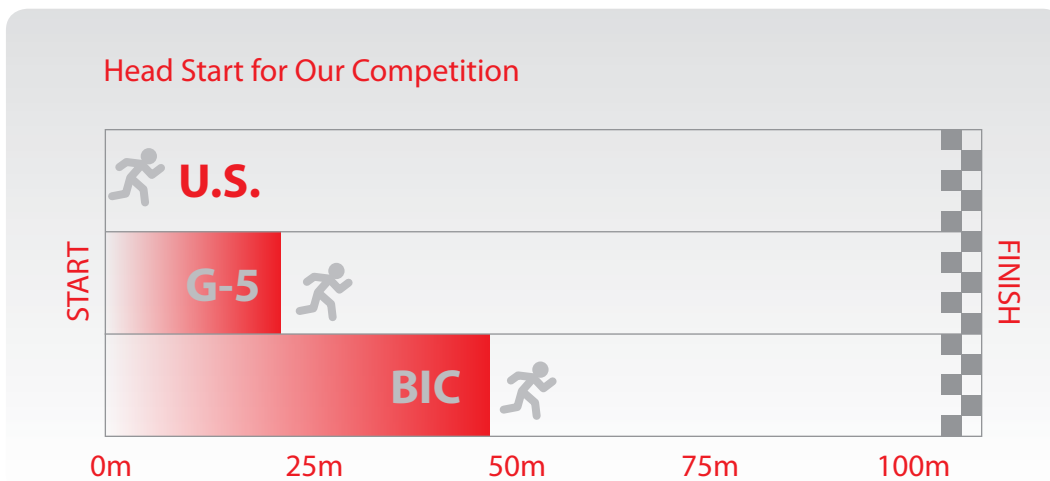
*The White House Forum on Health Reform, March 5, 2009*

**PERFORMANCE: Yet we have less to show for it...**

- Despite spending more, the United States lags behind both the G-5 countries (by ~10 percent) and the BIC countries (by ~5 percent) on measurable workforce health and care quality.

**Taken together, America’s health cost and performance shortfall creates a competitive advantage for other workers and employers.**

- America’s combined health and performance scores show our total health value. When measured against our competitors’ health value scores, we trail significantly. If global economic competition were a 100-meter race, the G-5 group would have a 23-meter “head start,” and the BIC group would have a 46-meter head start on U.S. workers and employers (see chart 2).
- The health care “value gap” between America and the G-5 countries widened slightly during 2004–2006, the last three years over which international measures have been reported.



**Chart 2**  
U.S. Health-Related Competitive Deficit

*“ This new study confirms that the United States spends too much on a system that too often rewards quantity and not quality of health care services delivered. It underscores the rising threat of obesity and other public health problems.*

*The lack of value is exacerbated by variations in the cost and quality of care and the cost shift from providers who are under-compensated by public programs and for treating those without insurance. The case grows stronger for a strong public and private partnership to reform the system.* ”

**Ronald Williams, Chairman and CEO, Aetna Inc.**

## Our Competition

The Business Roundtable Health Care Value Comparability Study compares the United States with two distinct sets of country competitors:

1. The “G-5 group” of five longstanding industrialized trading partners – Canada, Japan, Germany, the United Kingdom and France; and



2. The “BIC group” of three large, rapidly developing countries: Brazil, India and China.



## The Measures

The Business Roundtable Health Care Value Comparability Study incorporates a total of 19 measures of health care spending and health performance measures:

- **Two spending measures consisting of:** (1) employer-paid health benefits per hour in manufacturing (the U.S. industry most exposed to exports); and (2) a broader measure of GDP-adjusted per capita health care spending, which also encompasses government health care spending financed through taxes paid by employers and employees. (Due to limitations in internationally reported data, only nine of the 17 measures are available for the BIC group.)
- **Seventeen national performance measures** of health and health care quality particularly relevant to employers. Each of these measures was weighted by an expert clinician-researcher team, based on its contribution to worker productivity and the degree to which the health care system can affect the measure. (Due to limitations in internationally reported data, only nine of the 17 measures are available for the BIC group.)

## The Health Care Value Comparability Study

All 19 measures are then factored into a 100-point aggregate scale with spending and performance weighted equally – the Business Roundtable Health Care Value Comparability Study. Using this study, U.S. health care “value” can be compared with that of its G-5 and BIC group competitors.

2 Spending Measures	
* Employer-paid health benefits per hour in manufacturing (the U.S. industry most exposed to exports)	* GDP-adjusted per capita health care spending
17 National Measures of Health and Health Care	
* Adult mortality rate (probability of dying between ages 15 and 60)	* Prevalence of BMI $\geq 25$ kg/m <sup>2</sup> (obesity)
* Age-standardized mortality rate for cancer	* Mean blood pressure (mmHg)
* Age-standardized mortality rate for cardiovascular diseases	* Mean cholesterol (mmol/l total cholesterol)
* Age-standardized mortality rate for injuries	Misadventures to patient during surgical/medical care
* Age-standardized mortality rate for non-communicable diseases	Adverse effects from medicines
* Healthy life expectancy at birth for both sexes	Perceived health status $\geq$ good, ages 45–64
Life expectancy – Males at age 40	Perceived health status $\geq$ good, ages 25–44
Life expectancy – Females at age 40	Self-reported absence from work due to illness
Tobacco consumption	

\*Indicates measures are also available for BIC Group

**19 Measures of Health Care Spending and Health Performance**

Effective Leadership on the World Stage

## An In-Depth Look: Spending Measures

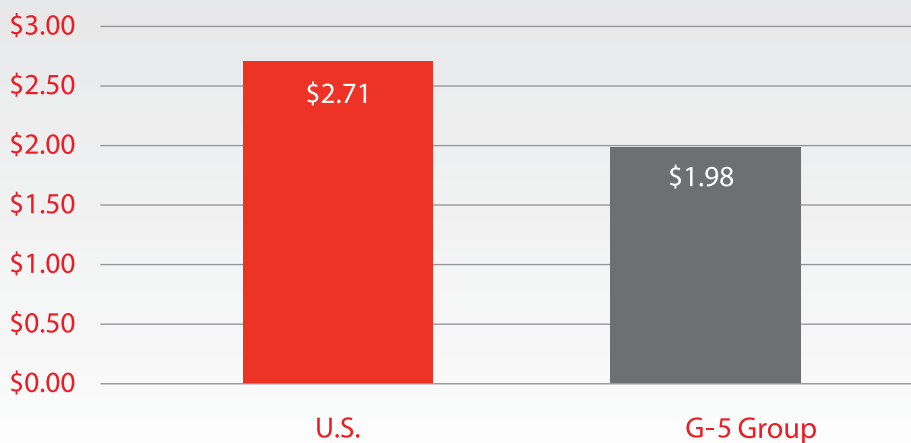
Both spending measures – employer-paid health benefits per hour and GDP-adjusted per capita health care spending – indicate that the United States is spending more than its competitors:

- As chart 3 shows, in 2006, U.S. manufacturers paid \$0.73 per hour more for health benefits compared with the G-5 group – a disparity that has grown by nearly 50 percent since 2004. (Not all data for this category is available for BIC group countries.)

### Chart 3

Hourly Employer-Paid Health Benefits in Manufacturing Sector (U.S.\$), 2006

G-5 Manufacturers Spend 27% Less on Health Care Benefits than U.S. Manufacturers\*



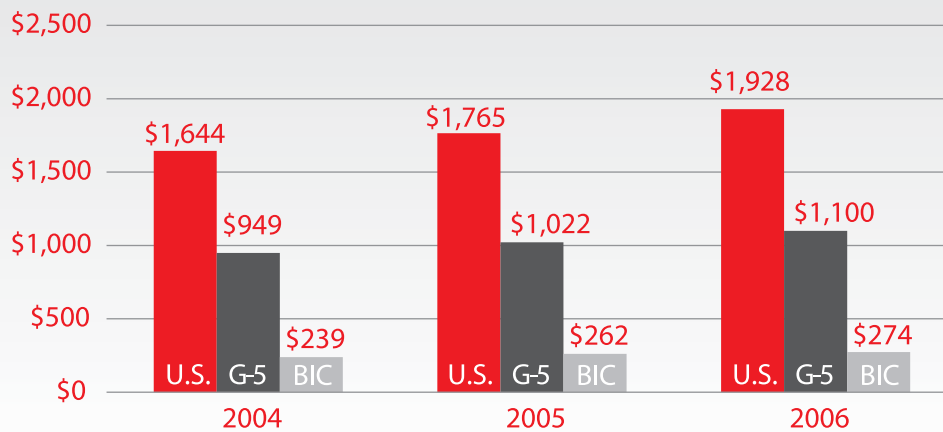
\*Not all data for this category is available for BIC group countries.

### Health Care Value Comparability Study Advisory Panel

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Len Nichols, Ph.D.	New America Foundation
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John Toussaint, M.D.	ThedaCare Center for Healthcare Value

- As chart 4 indicates, in 2006, the United States – including employers, employees, retirees and the government – spent far more on health care per capita than did either group of competitors: \$828 more per capita than G-5 countries and \$1,654 more per capita than BIC countries. Both gaps are adjusted for per capita GDP differences and have expanded significantly since 2004.

### The U.S. Spends More on Health Care and the Disparity is Growing



**Chart 4**  
GDP-Adjusted National Health Care Spending Per Capita (U.S.\$), 2004–2006

## An In-Depth Look: Workforce Health Measures

Despite spending much more on health care than either group of competitors, the United States lags when it comes to the workforce health component of the study, which includes both workforce health and care quality measures. However, there are significant variations across workforce health measures. On some measures, the United States leads its competitors. On others – notably obesity rates – we trail.

On the whole, our workforce is not as healthy as that in either the G-5 or the BIC countries, compounding the competitive disadvantage created by our high spending. The good news is that this workforce health gap shrank slightly between 2004–2006 (the period measured).



## Looking Toward the Future

Now that the Business Roundtable Health Care Value Comparability Study baseline has been established, tracking annual changes between the United States and the G-5 and BIC groups will clearly indicate whether U.S. competitiveness is rising or falling due to changes in the cost and performance of our health care system.

The study provides valuable insights for anyone who is concerned with reforming our health care system in order to deliver the best value – performance relative to spending – of any in the world. Ultimately, that’s every one of us who receives care, pays a medical bill, pays taxes or provides care to others.

When our health care system fails to deliver value, it does not just affect individual companies and their workers; it harms our nation’s ability to compete in the global economy by raising the cost of our products and services and diverting resources from needed investments. To improve U.S. competitiveness, we must make fundamental changes in our health care system to get more value.

As leaders of companies that provide health care coverage to nearly 35 million Americans, Business Roundtable members are committed to playing a constructive role in the health care reform process – by encouraging high-value care as purchasers and by making strong policy recommendations. Business Roundtable has proposed policy reforms that will make our health care system more efficient and transparent, deliver greater value to consumers and provide more marketplace options for employers and individuals to obtain coverage. Our proposal builds upon the employer-based health insurance system and seeks to improve quality of care while expanding access for all Americans.

## Business Roundtable's Health Care Reform Plan

Health care delivery needs a new business model: one that puts customers in the center and uses the power of the market to lower costs, improve quality, create more consumer choice and expand accessibility.

Business Roundtable has a four-pillar plan that, we believe, will put us on the path to a competitive health care system:

- **Creating greater consumer value** in the health care marketplace by using health information technology and empowering consumers with more information about good quality health care.
- **Providing more affordable health insurance options** for all Americans by creating an open, all-inclusive private market for health insurance and replacing today's fragmented state-by-state market with multistate markets. To ensure that insurance plans are solvent and meet certain minimum requirements, the role of individual states as the primary regulator should continue. Broader, more competitive markets will create more choices for more health care consumers.
- **Engaging all Americans in taking an active role in their health care.** First, this means placing an obligation on all Americans to obtain health insurance either through their employer or the private market. Second, we must encourage all Americans to participate in employer- or community-based prevention, wellness and chronic care programs.
- **Offering health coverage and assistance to low-income, uninsured Americans** that create a stable and secure public safety net. This assistance would be financed from the cost savings and efficiencies generated by a more competitive and value-driven health care system.

Today, our health care system leaves major consumer needs unmet, costs unchecked and basic practices untouched by the productivity revolution that has transformed every other sector of our economy.

The Business Roundtable Health Care Value Comparability Study should add to the urgency felt by all major U.S. stakeholders to stimulate faster improvement in the performance of America's health care system. We can do better. The global competitiveness of U.S. employers and workers depends on it.

“ *When we spend more to get less, we all lose – workers, employers and the government. For America to succeed in today's international economy, we must address the issue of health care value.* ”

*Ivan Seidenberg, Chairman and CEO, Verizon Communications*

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Business Roundtable is an association of chief executive officers of leading U.S. companies with more than \$5 trillion in annual revenues and nearly 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock markets and pay nearly half of all corporate income taxes paid to the federal government. Annually, they return \$133 billion in dividends to shareholders and the economy.

Business Roundtable companies give more than \$7 billion a year in combined charitable contributions, representing nearly 60 percent of total corporate giving. They are technology innovation leaders, with more than \$70 billion in annual research and development spending – more than a third of the total private R&D spending in the U.S.