

# 1.7 BIG AND INCREASING GAP IN HEALTH SPENDING BETWEEN US AND REST OF THE WORLD\*

Christopher Conover

This work is produced by Medical Industry Leadership Institute Open Education Hub and licensed under the Attribution 3.0<sup>†</sup>

## Abstract

Most of the world's population live in countries where health spending per capita is much less than that of the United states, yet the gap has been increasing for some of the largest countries in recent years.

Even from a world perspective, the American health system is massive, accounting for approximately 40 percent of an estimated \$5.2 trillion in health expenditures across the globe (figure 1.7a). This share is far higher than the U.S. share of worldwide gross national income (GNI) — a sharp contrast to the rest of the G7, where the shares are almost equal. These calculations are based on estimates by the World Health Organization (WHO). In most countries, GNI is approximately equivalent to GDP so it is a reasonable approximation of national output. However, to equalize purchasing power, WHO estimates health spending using the rough equivalent of GDP PPP. As noted previously, this approach tends to overstate relative U.S. health spending. The difficulties noted about making international comparisons of output in general (or health sector output in particular) are even more severe when countries as different as the United States and Ethiopia are involved. Despite such measurement problems, there is no doubt that differences in per capita income and health spending are extremely large.

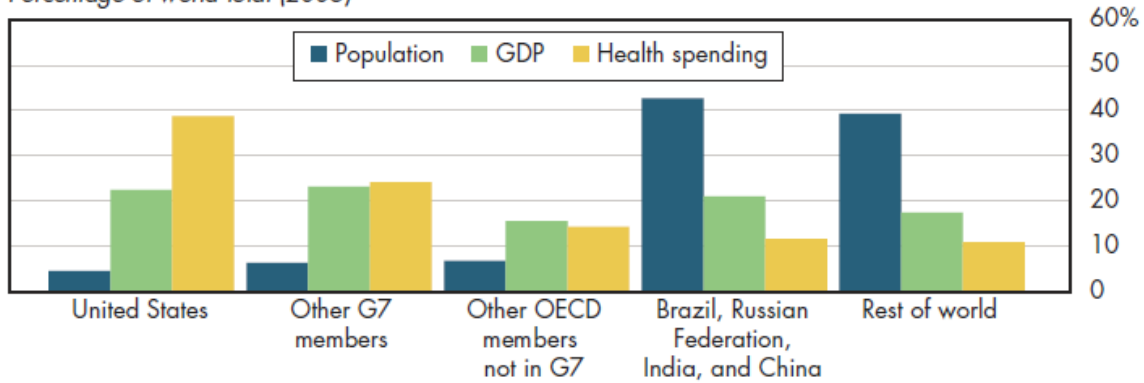
---

\*Version 1.1: Sep 11, 2013 5:22 pm -0500

<sup>†</sup><http://creativecommons.org/licenses/by/3.0/>

### 1.7a The U.S. share of world health expenditures is substantially larger than its share of either world population or GDP

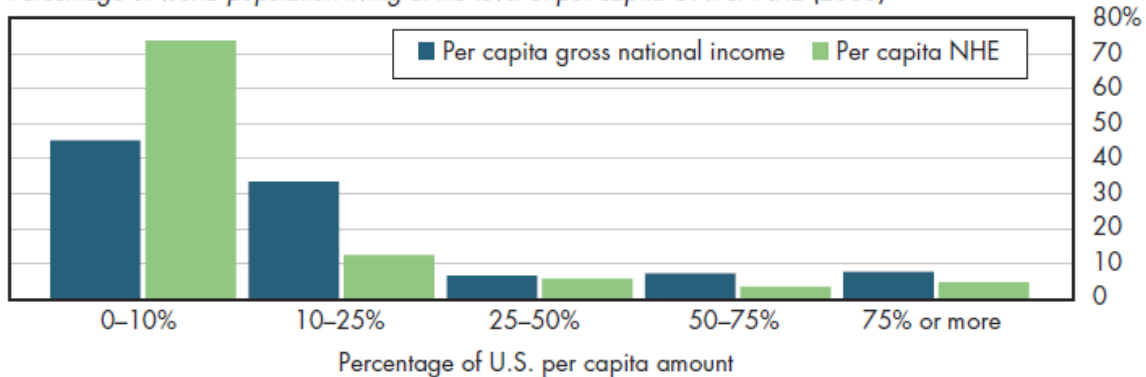
Percentage of world total (2006)



The concentration of world population in the group with fewer than 10 percent of U.S. per capita income and health spending is magnified by the inclusion of China and India, where almost 40 percent of the world’s population reside (figure 1.7b). This group also includes four of the world’s most populated countries (Indonesia, Bangladesh, Pakistan, and Nigeria).

### 1.7b More than 70 percent of the world’s population live in nations with health spending per capita below 10 percent of U.S. levels

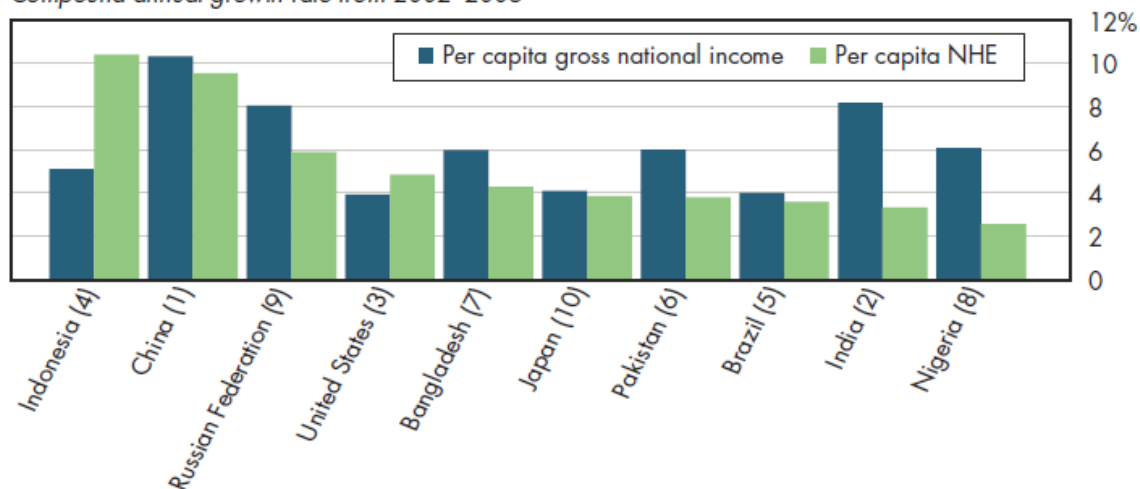
Percentage of world population living at the level of per capita GNI or NHE (2006)



Among the world’s 10 most populated countries, recent growth in per capita income has exceeded that in the United States, implying a shrinking income gap. In contrast, with the exception of Indonesia, China, and the Russian Federation, NHE per person has grown less rapidly in all of these nations compared with the United States (figure 1.7c). These three nations increased health spending relative to the United States while the others fell further behind. However, except for Indonesia, health spending growth has been slower than growth in income.

### 1.7c In the 10 most populous countries, increased per capita income has outpaced the increase in NHE per person, but not in the United States or Indonesia

Compound annual growth rate from 2002–2006



Note: Countries ranked by NHE per capita. Numbers in parentheses show ranking by size of population in 2007. Growth rates estimated from real NHE per capita (calculated in chained 2005 U.S. dollars using a GDP price deflator).

The OECD has compiled reasonably good data over decades; however, health spending data in some of these developing countries is much more uneven in quality and spans a much shorter timeframe. Reaching strong conclusions from growth differentials observed over only five years would be wrong.

## 1 Downloads

Download Excel tables used to create both figures: Figures 1.7a/1.7b Tables<sup>1</sup>. Figures 1.7a, 1.7b, and 1.7c were all created from the following table (the workbook includes all supporting tables used to create this table):

- Fig. 1.7a: Table 1.7. Population, GDP and National Health Expenditures (PPP international dollars), by Country: 1995-2009
- Fig. 1.7b: Table 1.7.2. Index of Per Capita Gross National Income and NHE (U.S. = 100), by Country: 2009
- Fig. 1.7c: Table 1.7.1. Per Capita GDP and National Health Expenditures (PPP international dollars), Index per Capita (U.S.=100) and Thirteen-Year Annual Growth Rate, by Country: 1995-2009

Download PowerPoint versions of both figures.

- Figure 1.7a Image Slide (as it appears above)<sup>2</sup>
- Figure 1.7a Editable Slide (can be formatted as desired)<sup>3</sup>
- Figure 1.7b Image Slide (as it appears above)<sup>4</sup>
- Figure 1.7b Editable Slide (can be formatted as desired)<sup>5</sup>
- Figure 1.7c Image Slide (as it appears above)<sup>6</sup>
- Figure 1.7c Editable Slide (can be formatted as desired)<sup>7</sup>

<sup>1</sup><https://hub.mili.csom.umn.edu/content/m10009/1.1/1.7TAB.xls>

<sup>2</sup><https://hub.mili.csom.umn.edu/content/m10009/1.1/1.7a.pptx>

<sup>3</sup><https://hub.mili.csom.umn.edu/content/m10009/1.1/1.7aDATA.pptx>

<sup>4</sup><https://hub.mili.csom.umn.edu/content/m10009/1.1/1.7b.pptx>

<sup>5</sup><https://hub.mili.csom.umn.edu/content/m10009/1.1/1.7bDATA.pptx>

<sup>6</sup><https://hub.mili.csom.umn.edu/content/m10009/1.1/1.7c.pptx>

<sup>7</sup><https://hub.mili.csom.umn.edu/content/m10009/1.1/1.7cDATA.pptx>

## 2 References

- A. Author's calculations.
- B. World Health Organization.