

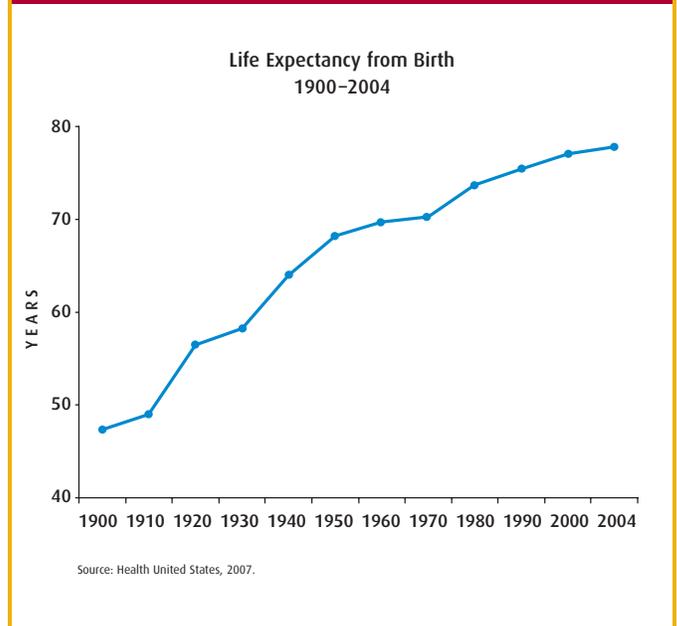
# THE VALUE OF INVESTMENT IN HEALTH CARE

## BETTER CARE, BETTER LIVES

Advances in medicine help people live longer and better lives. A person born in 2004 will live nearly 30 years longer than someone born in 1900. These gains, however, have been accompanied by substantial increases in health care spending. Too often, policymakers only look at the cost side of the equation and conclude we spend too much. But recent research suggests that when costs and benefits are considered together, a different picture emerges. These studies have found investment in health care produces real value to individuals, communities and society at large.

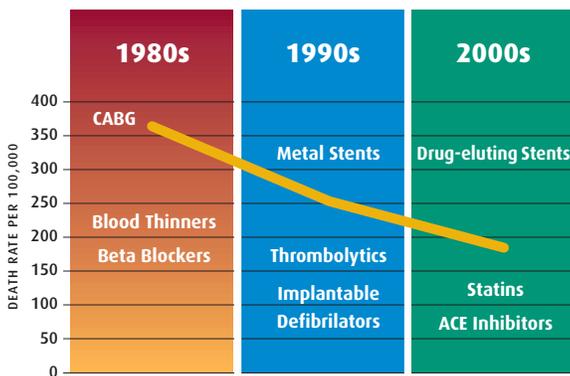
The value of health care can be documented in multiple ways. Some studies have quantified the gains from specific types of treatments and therapies. For example, researchers estimate antihypertensive therapy saved 86,000 lives in 2001 alone, and the benefits outweighed the costs by a factor of six.<sup>1</sup> Another study looking at

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Advances in care cost money but save lives.

Mortality from Heart Attacks in Relation to Advances in Care



Source: www.cdc.gov/nchs; MEDTAP International, *The Value of Investment in Health Care*, 2004.

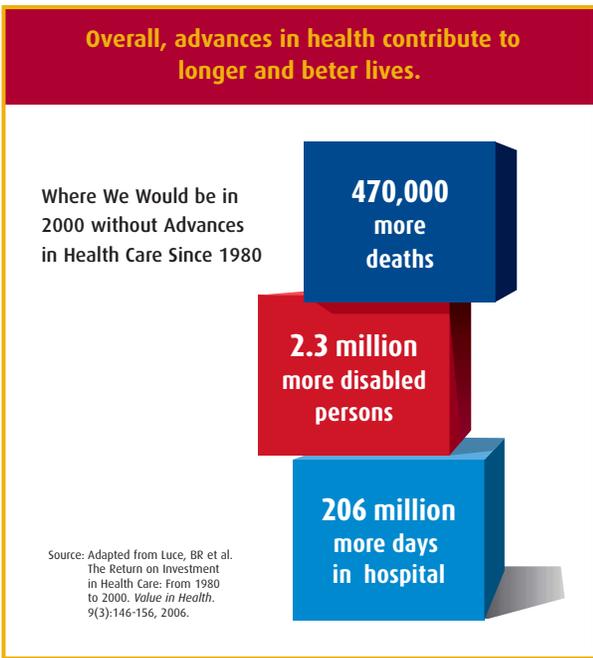
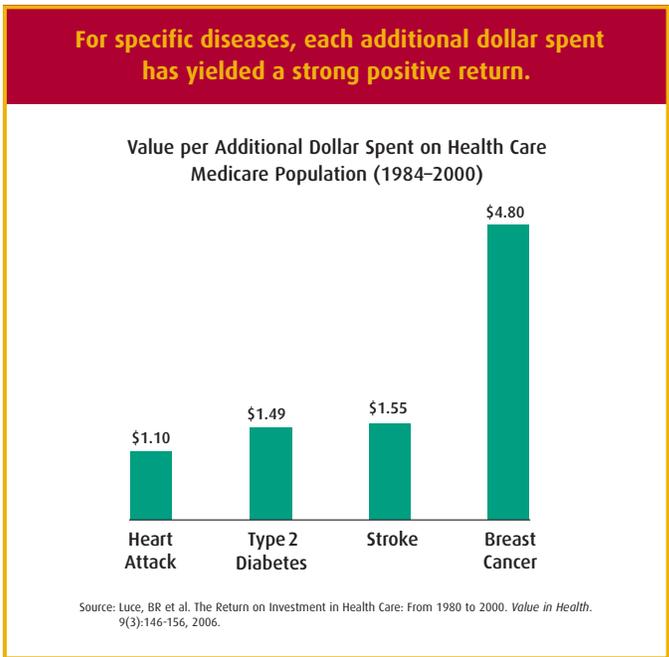
23 different innovations in treatment—including a range of surgical techniques, diagnostics, drugs and devices—found returns anywhere from \$1.12 to \$38 for each additional dollar spent.<sup>2</sup> These returns are measured by comparing changes in cost to the value to individuals of changes in health outcomes, like reduced rates for death and disability.<sup>3</sup>

Looking at changes in the costs of care versus the outcomes for specific diseases also illustrates the value of health care. For example, research indicates that over the past 20 years the benefits from advances in treatment for heart attack, stroke, diabetes and breast cancer far outweigh the added treatment costs. For each disease, the value of reduced mortality and disability yielded a return per dollar spent ranging from \$1.10 for heart attack to \$4.80 for breast cancer.<sup>4</sup>

(over)

Finally comparing the growth in national spending on health care to improvements in the overall health of the population provides another way to assess the return on our investment in health care. For example, researchers found that every dollar spent on health care over the past 20 years has produced health gains worth up to \$2—a 100 percent rate of return. These gains include a 16 percent reduction in mortality, an increase in life expectancy of 3.2 years, and a 25 percent drop in the disability rate for people over 65.<sup>5</sup>

But advances in health care not only improve the quality of life for individuals, they provide economic benefit as well. Healthier people are



more productive. A National Bureau of Economic Research study found that from 1970 to 2000, increased life expectancy added about \$3.2 trillion per year to the nation’s economy, with half of these gains due to advances in cardiac care alone.<sup>6</sup>

The research is clear: health care spending is an investment in better care and better lives for millions of Americans.

Read more at [www.aha.org](http://www.aha.org) under “Issues” then “Affordability.”



**American Hospital  
Association**

<sup>1</sup> Cutler, DM et al. The Value of Antihypertensive Drugs: A Perspective on Medical Innovation. *Health Affairs*, January-February 2007; 26(1):pp 97-110.

<sup>2</sup> MedTap International, *The Value of Investment in Health Care: Better Care, Better Lives*, 2004.

<sup>3</sup> Calculations of the return on investment in health are based on standard values for a statistical life developed by economists and used to assess the costs versus benefits in a wide array of fields including consumer product safety, environmental protection, and health care. These values are based on studies of people’s willingness to pay to avoid injury or death or willingness to be paid to take on risk—e.g. wage differentials for risky jobs, amount people will pay for safety devices in automobiles, etc.

<sup>4</sup> Luce, BR et al. The Return on Investment in Health Care: From 1980 to 2000. *Value in Health*. 9(3): 146-156, 2006.

<sup>5</sup> *Ibid.*

<sup>6</sup> Murphy, KM and Topel, RH. The Value of Health and Longevity. *Journal of Political Economy*, 2006, 114(9): 871-904, 2006.