
How America Can Cut Its Medical Bills By \$1 Trillion

By Editor Test Tue, Aug 25, 2009

Americans in their early 50s have twice the hypertension, obesity, and diabetes rates as Europeans.

If Americans became as healthy and long-lived as Europeans have become, the U.S. could cut its health care bill by up to \$1.1 trillion during the first half of the 21st century, according to a new paper from the National Bureau of Economic Research.

The NBER paper, "International Differences in Longevity and Health and Their Economic Consequences," was produced by five analysts at the RAND Corporation in Santa Monica, Calif.

As recently as 1975, the paper said, 50-year-olds in the U.S. had about the same life expectancy as Europeans: just over 27 years. Since then, however, the life expectancy of European 50-year-olds has grown to 32.5 years, but is only 31 years for American 50-year-olds.

"A difference of 1.5 years in life expectancy implies a non-trivial welfare loss," the paper said. "For example, using \$100,000 as a lower-bound estimate of the value of a statistical life year, this represents at least a \$700 million dollar disadvantage for the current generation of 50-year-olds."

Among those between ages 50 and 55, the researchers found, Americans are about twice as likely to have high blood pressure, twice as likely to be obese, and twice as likely to have diabetes as Europeans. Although Europeans are more likely to be current smokers, 50-something Americans are nearly 50% more likely to have ever smoked.

If Americans became healthier, they would live longer, and the over-50 population in 2050 would be about 4.75 million larger. Social Security payouts in that year would be an estimated \$70.4 billion higher, but medical costs would fall by \$124 billion and Medicare would save a projected \$36.4 billion, the RAND study claimed.

Based on those figures, the present value of the savings for Medicare and Medicaid between 2004 and 2050 would be \$1.1 trillion, the researchers concluded.

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