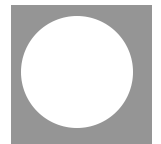


# Health Care Economics in the U.S.: Key Insights for Upcoming Leaders

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Health care economics is a complex and far-reaching subdiscipline of economics. Largely focused on how cost-effectiveness considerations guide policy and resource allocation, health care economics affects the lives of all citizens and encompasses some of the most challenging dilemmas society faces.

The size of the health care industry alone illustrates its enormous [effect on the overall economy](#): The U.S. Centers for Medicare and Medicaid Services projects that health

care expenditures will grow from 17.7% of U.S. gross domestic product in 2018 to 19.7% in 2028. If the size of the health care industry is daunting, so are its challenges. Rising costs, the uninsured, uncertainty about the sustainability of Medicare and an aging population are only a few of the many issues confronting the health care industry.

But challenges also provide opportunities, and [executive MHA](#) graduates can be on the front lines in addressing many of the most difficult challenges that health care economists study.

## How Did We Evolve to This Point?

The story of how health care became such a large part of the U.S. economy goes back decades. At the beginning of the 1950s, U.S. expenditures on health care represented 4.5% of U.S. gross national product. In the postwar era, scientists developed numerous medications to address a wide variety of illnesses, which both enhanced care and elevated costs. The price of hospital care doubled during the 1950s, and the 1960s saw the introduction of Medicare and Medicaid.

By the 1970s, health care costs began rising quickly as a result of unexpected Medicare expenditures, inflation and increasing hospital expenses, and expansion in the use of technology also led to higher costs. During the 1980s, corporations' vertical integration of the components of health care led to greater consolidation of control over the industry; at the same time, health insurers began voicing concerns about what they viewed as physicians' exploiting the traditional fee-for-service payment structure.

In the 1990s, increases in health care costs were twice the rate of inflation. A federal attempt at health care reform was unsuccessful, and by the end of the 1990s, roughly 16% of the U.S. population had no health insurance. Health care costs continued rising in the 2000s, and questions about the sustainability of Medicare began to surface. The passage of the Affordable Care Act in 2010 made health insurance available to more people, expanded Medicaid and promoted improvement in the quality and efficiency of health care. In late 2017, for the first time, health care became the largest U.S. employer, passing both manufacturing and retail.

As health care evolved over the decades, many of the dilemmas that arose in health care economics shared a common theme: balancing costs versus [health outcomes](#). Or

put another way, how can we maximize the benefits from our limited resources while providing the best health care possible?

## Economic Challenges of Specific Health Issues

Examining the costs associated with specific health issues helps to illustrate the difficult choices that arise in allocating scarce resources across the spectrum of health care needs. According to the U.S. Centers for Disease Control and Prevention:

- Heart disease and stroke, the first- and fifth-leading causes of death, cost \$214 billion annually.
- Cancer, the second-leading cause of death, has associated annual costs of \$174 billion.
- Obesity, which affects 9% of children and 42% of adults, accounts for \$147 billion in costs annually.

Costs associated with the ongoing opioid crisis also continue to rise. In 2018, nonprofit health research organization Altarum estimated that costs of the opioid crisis exceeded \$1 trillion from 2001 to 2017; it also estimated that the opioid crisis would cost an additional \$500 billion by 2020.

The costs associated with the COVID-19 pandemic continue to be tallied, but one estimate published in the October 2020 issue of *JAMA* placed the total cost of the pandemic between March 2020 and fall 2021, including lost productivity and reduction in health, at approximately \$16 trillion.

## Other Economic Challenges

Multiple factors beyond specific health issues have substantial influence on health care economics. Consider these examples:

- Regulation plays a significant role in health care. In areas such as patient privacy, drug pricing, insurance, health care payment methods and price transparency, regulations are in place to protect consumers; however, those same regulations also come with the cost of compliance.
- **Consumer preferences.** Consumer preferences have begun to have a significant effect on health care. In a 2020 survey of U.S. consumers, Deloitte found that consumers are showing more agency in their health care and are challenging their doctors more when they disagree with them. The rise of direct-to-consumer

advertising about medicines and treatments also influences consumers' preferences. As the American Medical Association notes, such advertising helps to raise awareness but also risks leaving consumers with unrealistic expectations.

- As technology evolves, its influence on health care demands attention. Telemedicine, wearable devices to monitor health, mobile health apps and electronic health records are just a few of the technological advances that are helping to reframe health care, and each comes with both costs and benefits.
- **New models of health care delivery.** Retailers such as CVS and Walgreens are diving deeper into health care by offering walk-in clinics, and Amazon has entered into the pharmacy business. How these ventures and others like them may begin to affect health care is a topic worthy of study.

## Health Administration: A Bridge to Health Care Economics

Addressing the complexities and challenges of health care economics will require individuals with the right knowledge and skills, and the field of health administration is a good place to start. Mid-to-senior-level professionals who pursue the [Executive Master of Public Health Administration](#) online degree at USC can develop the expertise necessary to lead the charge in tackling some of the most difficult issues in health care economics. Consider taking the next step in your career and beginning the journey to a vital field of study today.

### Recommended Readings

[The Baby Boomer Effect and Controlling Health Care Costs](#)

[Health Care Administration: Lasting Impacts from COVID-19](#)

[Telemedicine, COVID-19 and the Future of Healthcare](#)

### Sources:

[Altarum, "Economic Toll of Opioid Crisis in U.S. Exceeded \\$1 Trillion Since 2001"](#)

[American Medical Association, Direct-to-Consumer Advertisement of Prescription Drugs](#)

[\*The Atlantic\*, "Health Care Just Became the U.S.'s Largest Employer"](#)

[Bain & Company, "Global Healthcare Private Equity and Corporate M&A Report 2020"](#)

[The Brookings Institution, "A Dozen Facts About the Economics of the US Health-Care System"](#)

[CNBC, "Amazon Jumps Into the Pharmacy Business with Online Prescription Fulfillment, Free Delivery for Prime Members"](#)

[Deloitte, "2020 Health Care Regulatory Outlook"](#)

[Deloitte Insights, "Are Consumers Already Living the Future of Health?"](#)

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[\*Houston Chronicle\*, "CVS, Walgreens Aggressively Move into Delivery of Health Care Services"](#)

[\*JAMA\*, "The COVID-19 Pandemic and the \\$16 Trillion Virus"](#)

[Public Broadcasting Service, Healthcare Crisis: Who's at Risk, Healthcare Timeline](#)

[U.S. Centers for Disease Control and Prevention, Division for Heart Disease and Stroke Prevention At A Glance](#)

[U.S. Centers for Disease Control and Prevention, Health and Economic Costs of Chronic Diseases](#)

[U.S. Centers for Disease Control and Prevention, "Public Health Impact of Digital Health: Reinventing the Wheel"](#)

[U.S. Centers for Medicare and Medicaid Services, National Health Expenditure Projections 2019-2028](#)

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