

Healthcare Productivity Study (October 1996)
McKinsey Global Institute

<http://www.mckinsey.com/mgi/publications/healthcare.asp>

Section I: Summary

The McKinsey Global Institute (MGI) initiated an extensive study assessing the productivity of global health systems' treatment of chronic diseases. The project looked at four common diseases and measured success rates across countries. The three systems studied in this analysis were: the United Kingdom, United States and Germany; and the diseases included diabetes, gall stones, breast cancer and lung cancer. Researchers established common inputs for treatments, measured success rates, identified major sources of differences in outcomes, and realized policy implications.

Section II: Statement of purpose

In recent years, the health care systems of almost all major industrialized countries have come under significant pressure to improve performance. This McKinsey Global Institute (MGI) study seeks to assess differing productivity levels at the disease level, examine the major source of these differences, and identify implications. MGI compared the productivity of healthcare systems in the U.S., Germany, and the U.K. and found that the U.S. generally had a great rate of success for treatment of four chronic diseases: gall stones, diabetes, breast cancer and lung cancer.

Previous international comparisons have included macro analyses of health related outcomes such as health care expenditures and access. This MGI study takes a different approach looking at disintegrated drivers that impact productivity. While other studies often limit measures to crude proxies such as mortality rates and life expectancy, this analysis investigates such questions as: what are the sources of differences in spending in these countries? And why do those differences appear to be unrelated to overall life expectancy?

Section III: Outcomes

The U.S. was the most product-based system with substantial freedom for payors and providers giving the U.S. system relatively high levels of competitive intensity but generally low product integration. The U.K. system was the most centrally controlled of the three and had low competitive intensity but high product integration. While the German system was highly regulated, it had relatively low levels of competitive intensity and product integration.

Specific to diseases, researchers found:

- Diabetes research: The U.K. was more productive than the U.S. in diabetes treatment. The U.K.'s productivity efficiency stemmed from its consistently lower complication rates.
- Breast cancer research: found treatment was the most important factor; the U.S. had better productivity levels compared to the U.K. due to greater frequency of screening; Germany's lower productive efficiency relative to the U.S. was due to longer hospital stays.
- Gall stones: The U.S. was more productive than the U.K. on a per-operation basis because it used fewer inputs in each case while achieving the same outcomes. Germany was more productive than the U.K. on a per-operation basis.
- Lung Cancer: Germany used 21 percent more inputs and achieved 12 percent worse outcomes than the U.S. in the treatment of lung cancer. The U.K. productivity levels were even worse

The speed and extent of technology adoption along with the intensity in care triaging were the most important drivers in determining productivity differences between the U.S. and U.K. The more frequent inpatient care and lengthier care were the most important drivers of Germany's lower productivity relative to the U.S.

MGI's study suggests three broad principles for improving productive efficiency: recognize and leverage the power of economic incentives, allow markets to define health care products broadly and ensure that there are not regulatory barriers, and allow for experimentation and flexibility in the system on the part of health care organizations and providers.

IV. Additional Resources

Health Care Productivity. Lynn Dorsey, Bernard T. Ferrari, Andrew Gengos, Ted W. Hall, William W. Lewis, Charles O. Schetter. *McKinsey Quarterly*, November 1996, http://www.mckinseyquarterly.com/Health_Care/Strategy_Analysis/The_productivity_of_healthcare_systems_189?gp=1

Accounting for the Cost of US Health Care. McKinsey Global Institute. November 2009. http://www.mckinsey.com/mgi/publications/US_healthcare/index.asp