

The Costs of Cancer Care in the United States: Implications for Action

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Abstract / Synopsis:

The total annual cost of cancer care in the United States (including direct and indirect costs) has been estimated at more than \$96 billion. Although third-party payers have led the effort to reduce these costs, such high expenditures must concern society as a whole, since money spent on cancer care, whether through insurance premiums, taxes to support Medicare, or payouts from family savings, could be used for other purposes. In the future, attention may be shifted to more cost-effective strategies, including greater prevention efforts and development of better diagnostic tools to permit early detection. Improved diagnosis, however, presents an anomaly in that with earlier detection, survival is greater but the overall direct treatment costs are higher. This is why when making decisions about allocation of medical resources, the indirect costs of morbidity and mortality (which are reduced with early diagnosis) must be considered as well as the direct cost.

Introduction

The costs of cancer in the United States have been documented in a number of studies that portray the consequences of increased incidence and rising costs of treatment. The direct costs of cancer represent approximately 5% of total direct US health care expenditures. Studies reported by Brown et al estimate the direct costs of cancer diagnosis and treatment for the United States at \$27.4 billion in 1990, with an additional \$9.9 billion in morbidity costs and \$58.7 billion in mortality costs (Figure 1). This estimated total annual cost of \$96.1

billion for 1990 includes the direct outlays of resources from major payers: insurance, Medicare/Medicaid, managed care, and personal sources. It also includes estimates of the indirect costs of lost productivity and time spent by family and friends to support the cancer patient.

In the following discussion, we will examine the sources of these costs and suggest the implications of these economic outlays for health care policy. What do we know about these costs? What differences should that knowledge make for our health care decisions? What do we not know about cancer costs that would make a difference for the future?

Stimulus for Action

The economic facts about cancer should prompt concern about the level of the collective effort required to deal with this disease, especially in the context of possible alternative uses of these expenditures. From the patient's perspective, economic statistics are useful only if they can help society make better decisions in the future. This knowledge can make a difference in the future impact of cancer by:

- Affecting the timing of diagnosis and treatment
- Changing the direction of research and development for finding better diagnostic and treatment tools
- Restructuring our clinical standards of care to improve outcomes
- Increasing the proportion of at-risk individuals who can experience productive and happy lives in spite of their encounter with cancer.

In the United States and other industrialized countries where clinical expertise is widespread and an economic surplus is available for medical uses, there have been adequate resources for aggressive clinical intervention to treat new cancer cases. The US and other industrialized countries have also experienced an increase in the incidence of cancer cases. In the US, the number of new cancer cases has grown steadily.

In 1995, there will be an estimated 1.2 million new cancer cases in the United States. For many of these cancers, the eventual prognosis is dismal, leading the patient, family, and physician to accept a course of care appropriate for a terminal condition. However, early detection has provided opportunities to intervene aggressively in many cancers, leading to high rates of remission and recovery. Breast, cervical, and colon cancers demonstrate perhaps the most dramatic differences in outcomes between early- and late-stage diagnosis.

Thus, it is important to understand the total costs (direct and indirect) can be lowered when more cancers are detected early, and to develop detection technologies and strategies that yield high rates of recovery. Prevention strategies for cancers with known causes, such as lung cancer, are also critical to lowering the costs and the level of patient suffering.

Types of Costs

There are three components of the total costs of disease: direct medical costs, morbidity costs, and mortality costs. The direct costs include all resource outlays for prevention, diagnosis, and treatment of the disease. Common elements are physician fees, wages for nursing and support staff, drugs, medical supplies, and a share of capital costs for equipment and facilities. The largest use of these direct costs is for hospital care (65.3%). This is considerably higher than the proportion of direct costs allocated to hospital care for all diseases (49.0%). However, cancer care expenditures are less for drugs, nursing home care and other professional services when compared to all other health care expenditures. Direct expenditures for cancer patient physician services (24.1%) are nearly equal to all health care expenditures for physician services (24.5%). [Figure 2](#) shows the proportions of direct expenditures for cancer and all health care accounted for by hospitals, physicians, nursing homes, drugs, and other professional services.

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