Testing the Connection Between Social Spending and Better Health

The United States spends much more on health care than other wealthy countries—but its people fare worse in many ways. Why the disconnect? New RAND research strengthens the link between social programs and better health. It also may give policymakers reason to rethink spending priorities.
It’s been called an American health care paradox: Massive spending is not generating great public health results. The problem is gaining gravity as budget constraints and rising health care costs limit policymakers’ options. Concerns about economic inequality and its impact on health raise the stakes further.

In trying to crack that conundrum, a fascinating line of inquiry has emerged. What if spending more on health care alone is not the best way to improve population health? Research has shown an association between social spending, such as housing allowances and retirement benefits, and better health. Are U.S. policymakers passing up an effective lever?

A Deeper, Broader Look
In a research report titled *Are Better Health Outcomes Related to Social Expenditure? A Cross-National Empirical Analysis of Social Expenditure and Population Health Measures*, RAND researchers retested the connections between social spending and health across the 34 member countries of the Organisation for Economic Co-operation and Development (OECD). The research team also examined which types of social spending are associated with better health outcomes. The researchers expanded on previous cross-national analysis with three decades of data and pulled in new sources. They considered new social factors—including income inequality and a measure of how much people trust each other in a society—for the first time. They also analyzed connections between social spending and health on a state-by-state basis in the United States, another first.

The research team’s findings confirm that higher levels of social spending are strongly associated with better health. They also found that higher spending on different types of social programs affects health in different ways. With regard to income inequality, they found that the link between social spending and better health is strongest where inequality is greatest.

These conclusions are, of course, bound by the limitations of this exploratory analysis. And, at best, the relationships observed are correlations, not causal effects. Still, given that the balance of spending between health care and social programs may affect health outcomes, it seems sensible that U.S. policymakers consider rebalancing health and social spending.

What If?
So what would it mean to policymakers if the association between health and higher social spending was shown to be causal, meaning that having more social programs yields better health outcomes?

The major policy implication would be that spending on social programs should be increased relative to health care spending. The path to implementation, however, would be fraught. In the United States, health care spending tends to be more protected than social spending. Also, policy suggestions that call for the expansion of the government’s role may be met with ideological resistance. Likewise, income inequality may
Many health outcomes in the United States, notably life expectancy and low infant birth weight, are poor relative to those in other developed countries, with the United States typically ranked toward the bottom of the OECD member countries.
The research team chose to examine the role of income inequality in social spending and health results partly because of other researchers’ observations that there is a growing case for a causal relationship between inequality and health. They found that the association between social spending and health outcomes may differ depending on the level of income inequality. The role of social spending appears to be magnified in societies with higher inequality. This may imply that policymakers in such societies can expect to realize more-pronounced health returns on social investments.
dismember groups who would stand to benefit from—and might advocate for—a rebalancing of spending.

Still, if the effects of social spending on better health were found to be causal, that finding would bolster the argument that expenditures on social programs might give the government a better health return on its investments. It also might mitigate some of the adverse impacts of income inequality. Likewise, the RAND researchers’ finding that better health outcomes are more associated with public social spending than with private social spending would support an enhanced role for government in providing services.

Using state-level data, the research team found that the transnational association between social spending and health outcomes generally holds in the United States. Although the data sources used for the domestic analysis differed from those used in the international study, these results suggest, at the very least, that it is worth investigating the relationship between public spending and health outcomes in more detail.

Cross-national research by Bradley et al. (2011) and Bradley and Taylor (2013) found that higher levels of social spending were associated with better health outcomes for OECD countries. Building on that work, this study included additional countries and health indicators and expanded the period of observations to 31 years. The authors explored the effect of time lags between social spending and health measurements. They also looked at the impacts of different types of social expenditures. The analysis factors in social capital (a measure of interpersonal trust) and income inequality (measured using the Gini coefficient—a standard measure of income inequality—and the Palma ratio—a more-recent measure based on the ratio of the cumulative income of the highest-earning 10 percent of the population to that of the lowest 40 percent). Finally, the authors focused on the United States, using state-level data.


Geographic variation in health outcomes in the United States is also well known. The map above, built from 2009 Community Health Status Indicator data, illustrates this variation with respect to life expectancy (at birth) at the county level. Darker shading indicates those counties that have lower life expectancy on average. In general, individuals in southern states tend to have a lower life expectancy than individuals living in other parts of the country, such as in parts of the West, the Midwest, or Northeast.
Higher levels of social spending are strongly associated with better health.
What the Data Tell Us

- The United States spends more on health care and less on social programs than other OECD countries and relies on private social spending to a much larger extent.

- The associations observed across countries hold in the context of state-by-state analysis in the United States.

- Higher levels of social spending are strongly associated with better health, and the association is particularly strong for public social spending.

- Spending on old age programs demonstrated the strongest association with better health outcomes, including in unexpected areas, such as infant mortality and low birth weight.

- The association between social spending and better health strengthens over time.

- Income inequality and social capital (a measure of how much people trust each other in a population) are associated with health outcomes.

- The association between social spending and health outcomes is strongest where income inequality is greatest.