



[Print](#) | [Close this window](#)

## Healthcare system wastes up to \$800 billion a year

---

Mon Oct 26, 2009 10:53am EDT

By [Maggie Fox](#), Health and Science Editor

WASHINGTON (Reuters) - The U.S. healthcare system is just as wasteful as President Barack Obama says it is, and proposed reforms could be paid for by fixing some of the most obvious inefficiencies, preventing mistakes and fighting fraud, according to a Thomson Reuters report released on Monday.

The U.S. healthcare system wastes between \$505 billion and \$850 billion every year, the report from Robert Kelley, vice president of healthcare analytics at Thomson Reuters, found.

"America's healthcare system is indeed hemorrhaging billions of dollars, and the opportunities to slow the fiscal bleeding are substantial," the report reads.

"The bad news is that an estimated \$700 billion is wasted annually. That's one-third of the nation's healthcare bill," Kelley said in a statement.

"The good news is that by attacking waste we can reduce healthcare costs without adversely affecting the quality of care or access to care."

One example -- a paper-based system that discourages sharing of medical records accounts for 6 percent of annual overspending.

"It is waste when caregivers duplicate tests because results recorded in a patient's record with one provider are not available to another or when medical staff provides inappropriate treatment because relevant history of previous treatment cannot be accessed," the report reads.

Some other findings in the report from Thomson Reuters, the parent company of Reuters:

- \* Unnecessary care such as the overuse of antibiotics and lab tests to protect against malpractice exposure makes up 37 percent of healthcare waste or \$200 to \$300 billion a year.

- \* Fraud makes up 22 percent of healthcare waste, or up to \$200 billion a year in fraudulent Medicare claims, kickbacks for referrals for unnecessary services and other scams.

- \* Administrative inefficiency and redundant paperwork account for 18 percent of healthcare waste.

- \* Medical mistakes account for \$50 billion to \$100 billion in unnecessary spending each year, or 11 percent of the total.

- \* Preventable conditions such as uncontrolled diabetes cost \$30 billion to \$50 billion a year.

"The average U.S. hospital spends one-quarter of its budget on billing and administration, nearly twice the average in Canada," reads the report, citing dozens of other research papers.

"American physicians spend nearly eight hours per week on paperwork and employ 1.66 clerical workers per doctor, far more than in Canada," it says, quoting a 2003 New England Journal of Medicine paper by Harvard University researcher Dr. Steffie Woolhandler.

Yet primary care doctors are lacking, forcing wasteful use of emergency rooms, for instance, the report reads.

All this could help explain why Americans spend more per capita and the highest percentage of GDP on healthcare than any other OECD country, yet has an unhealthier population with more diabetes, obesity and heart disease and higher rates of neonatal deaths than other developed nations.

Democratic Senator Charles Schumer said on Sunday that Senate Democratic leaders are close to securing enough votes to pass legislation to start reform of the country's \$2.5 trillion healthcare system.

© Thomson Reuters 2009. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

---

Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.