



## US Health System 'Wasted' \$750B in '09



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*Reported by Julielynn Wong, M.D., ABC News Medical Unit:*

The U.S. health care system wasted \$750 billion on [unnecessary and overpriced medical tests and treatments](#), administrative fees, medical fraud and missed prevention opportunities in 2009, a new report found.

The report, released today by the Institute of Medicine, suggested the money squandered on services that failed to improve Americans' health could have provided health insurance for more than 150 million workers or covered the salaries of all of the nation's first responders for more than 12 years.

"I was surprised at how much waste there seems to be," said report author Dr. Mark Smith, a former expert adviser to President Clinton's Task Force on National Health Care Reform and president of the Oakland-based California HealthCare Foundation. "We're spending money in ways that don't seem to improve people's health."

The wasted money could provide health insurance coverage for more than 150 million workers, according to the report. And 75,000 deaths might have been prevented if states delivered higher-quality care.

"Much of what's in this report is beyond partisan politics," said Smith. "There may be disagreement on how to get there but there's pretty broad agreement on where we need to go."

Dr. Peter Pronovost, director of the Armstrong Institute for Patient Safety and Quality at Johns Hopkins Medicine in Baltimore said the report is a reminder that the current health care system is failing and needs to be reformed.

"We have been talking about improving quality and value for over a decade," said Pronovost, who was not involved in the report. "Yes we need to do this. ... The question is how."

The U.S. spends more than twice as much per person on health care as all other industrialized countries despite being the only developed country that doesn't provide basic health insurance for all its citizens, according to Dr. Timothy Johnson, ABC News senior medical contributor and author of "The Truth About Getting Sick in America."

The U.S. also has the lowest life expectancy among the top five spenders on health care, Johnson wrote in his book.

Roughly \$190 billion was wasted on administrative costs in 2009, according to the report. And medical service and product prices above competitive benchmarks cost \$105 billion.

Smith said the Affordable Care Act's medical loss ratio provision limits the amount of each premium dollar insurers can use to pay indirect health care costs, which include administrative costs and profits. The provision is designed to curb administrative costs and high prices in health care, he said.

Unnecessary and inefficiently delivered health care services cost \$340 billion in 2009, according to the report. And missed prevention opportunities cost the health care system \$55 billion.

Medical fraud perpetrated by payers, clinicians and patients cost about \$75 billion in 2009.

"I hope our policy makers read this report closely. It should serve as the foundation going forward for how to fix our health care system," said Dr. Kenneth E. Thorpe, former deputy assistant secretary for health policy under President Clinton and current professor of health policy at Emory University in Atlanta. "These fixes would reduce the cost of health care and improve outcomes."

Smith said Americans should expect better value from their health care.

"It's not about spending more or less money. Are you getting better value?" he said. "It's possible and necessary."

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## HEALTH

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