

# Our Take: A Quarter of U.S. Healthcare Spending Is Wasteful

By Corporate Synergies  
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Americans spend more on healthcare than any other country. In fact, it accounts for nearly 18% of our gross domestic product, to the tune of \$3.82 trillion. It is further estimated that between \$760 billion to \$935 billion of that is considered wasteful healthcare spending.<sup>1</sup>

In 2010, the Institute of Medicine (IOM) conducted a study to breakdown wasteful healthcare spending into six categories, including failure of care delivery, failure of care coordination, overtreatment or low-value care, fraud, administrative complexity and pricing failure (medication, health services, lab and ambulatory pricing).

New research from the *Journal of the American Medical Association (JAMA)* updated the impact of wasteful healthcare spending within these six categories identified by the IOM. Of the \$760 billion to \$935 billion of healthcare spending that is considered wasteful, a quarter--\$191 billion to \$282 billion--can be corrected with the right policy and education.

The single largest area of wasteful healthcare spending was attributed to administrative complexity at \$265.6 billion.

We believe employers can play a big part in reducing wasteful healthcare spending by implementing internal programs designed to impact the two largest categories which are administrative

complexities and pricing failures. Those two combined equate to over 60% of all waste.

Employee education is the key ingredient that employers can control with the help of their broker. With the right education, plan participants can better navigate the complexities of the system and begin to find the most direct and cost efficient route to care.

Employee advocacy support centers like our very own BenefitsVIP® can help employees navigate their health plans and ensure they are getting the best care at the best price. The right education could also lead to plan design changes that eliminate the need for referrals (and the added cost those bring to employees).

Another expense-reducing target is Rx. Drug costs account for nearly 20% of our wasteful healthcare spending. With the U.S. regularly ranked among the most expensive countries in which to buy prescription drugs, some companies are going as far as importing drugs to cut these costs. A renewed focus on generic drug offerings and legislation to tamp down drug costs could bring additional savings.

It won't happen overnight, but simple steps can save us from leaving money on the table. ■

<sup>1</sup>[HealthLeaders](#), "Wasteful Spending in U.S. Healthcare Estimated at \$760 Billion To \$935 Billion"

For more information, please call **1.877.426.7779**