



Waste in the U.S. Healthcare System Pegged at \$700 Billion in Report From Thomson Reuters

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ANN ARBOR, Mich., Oct. 26 /PRNewswire/ -- The U.S. healthcare system wastes between \$600 billion and \$850 billion annually, according to a white paper published today by Thomson Reuters.

The report identifies the most significant drivers of wasteful spending -- including administrative inefficiency, unnecessary treatment, medical errors, and fraud -- and quantifies their cost. It is based on a review of published research and analyses of proprietary healthcare data.

"The bad news is that an estimated \$700 billion is wasted annually. That's one-third of the nation's healthcare bill," said Robert Kelley, vice president of healthcare analytics at Thomson Reuters and author of the white paper. "The good news is that by attacking waste, healthcare costs can be reduced without adversely affecting the quality of care or access to care.

"That's the point of this report -- to identify areas in the healthcare system that can generate game-changing savings," Kelley said.

Here are some of the study's key findings:

- Unnecessary Care (40% of healthcare waste): Unwarranted treatment, such as the over-use of antibiotics and the use of diagnostic lab tests to protect against malpractice exposure, accounts for \$250 billion to \$325 billion in annual healthcare spending.
- Fraud (19% of healthcare waste): Healthcare fraud costs \$125 billion to \$175 billion each year, manifesting itself in everything from fraudulent Medicare claims to kickbacks for referrals for unnecessary services.
- Administrative Inefficiency (17% of healthcare waste): The large volume of redundant paperwork in the U.S. healthcare system accounts for \$100 billion to \$150 billion in spending annually.
- Healthcare Provider Errors (12% of healthcare waste): Medical mistakes account for \$75 billion to \$100 billion in unnecessary spending each year.
- Preventable Conditions (6% of healthcare waste): Approximately \$25 billion to \$50 billion is spent annually on hospitalizations to address conditions such as uncontrolled diabetes, which are much less costly to treat when individuals receive timely access to outpatient care.
- Lack of Care Coordination (6% of healthcare waste): Inefficient communication between providers, including lack of access to medical records when specialists intervene, leads to duplication of tests and inappropriate treatments that cost \$25 billion to \$50 billion annually.

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