



Waste in Health Care

A \$700 Billion Opportunity

Studies in Brief:

- *Waste and Inefficiency in the U.S. Health Care System* quantifies waste, identifies its root causes and proposes actions to successfully eliminate it.
- *How Many More Studies Will It Take? A Collection of Evidence That our Health Care System Can Do Better* presents compelling evidence of health care waste, from overuse of emergency rooms to medication errors.
- *Improving Physician Adherence to Clinical Practice Guidelines* examines an important source of waste: variation between recommended and delivered care.

About NEHI

NEHI is an independent, not-for-profit research and health policy organization dedicated to transforming health care for the benefit of patients and their families.

More info at www.nehi.net.

PROBLEM: VALUABLE HEALTH CARE DOLLARS WASTED

The U.S. spends more money on health care than any other nation in the world – nearly \$2.6 trillion annually. Although much of this spending is dedicated to the diagnosis and treatment of disease, a disproportionate and alarming amount of it is wasted, meaning it could be eliminated without reducing the overall quality of care. In fact, many experts believe that **wasteful spending amounts to more than 30 percent of the total health care dollars spent** in the United States.

Addressing waste adds up to an almost **\$700 billion opportunity** to improve the way we administer, manage and deliver health care. Realizing even a fraction of those savings would result in opportunities to redirect substantial funds to increase the quality of and access to care. To achieve this, we must begin by identifying where the waste is, why it exists and how many dollars are wasted.

SOLUTION: WEED OUT THE WASTE

NEHI has identified **five areas of waste** which, if eliminated, would offer significant potential cost savings to the health care delivery system. In order of greatest financial impact, they are:

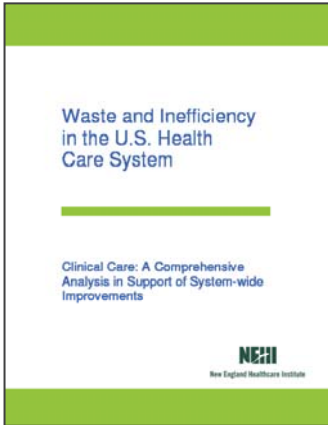
1. **Unexplained variation** in the intensity of medical and surgical services, including but not limited to end of life care, overuse of coronary artery bypass surgery and overuse of percutaneous coronary procedures, with total potential avoidable costs of up to **\$600 billion**;
2. **Misuse of drugs and treatments** resulting in preventable adverse effects of medical care that could save **\$52.2 billion**;
3. **Overuse of non-urgent emergency department care** that could save (conservatively) **\$38 billion**;
4. **Underuse of appropriate medications**:
 - o generic antihypertensives, with potential savings of **\$3 billion**;
 - o controller medicines, particularly inhaled corticosteroids in pediatric asthma, with projected savings of **\$2.5 billion**; and
5. **Overuse of antibiotics** for respiratory infections, with potential savings of **\$1.1 billion**.

NEHI is now pursuing **opportunities to enact policy change** to decrease waste, including:

- Examining causes of **emergency department overuse** for non-urgent conditions;
- Researching ways to improve current care practices through **innovation**;
- Considering ways to advance **information technology adoption**; and
- Improving patient medication adherence

Sector Spotlight:

What Health Care Waste Means to You



MANUFACTURERS (PHARMACEUTICAL, BIOTECHNOLOGY AND DEVICE):

- Underuse of medical innovations, such as drugs, devices and procedures, is a major area of waste
- Failure of physicians to uniformly follow clinical practice guidelines leads to underuse of the most effective technologies
- Underuse of point-of-care testing results in lack of timely treatment for patients

PROVIDERS:

- Underuse of information technology and systemic issues such as uncoordinated prescribing lead to nearly half of all preventable adverse treatment events
- Hospital-acquired infections cause an estimated 90,000 deaths and cost an estimated \$4.5 to \$5.7 billion each year
- Underuse of clinical practice guidelines creates wide and unexplained variation in medical services, leading to costly and poor-quality care

PAYERS:

- Cost-effective diagnostic tests are significantly underused
- Wide variation in end-of-life care raises costs to payers and lowers the quality of care for patients
- Overuse of non-urgent emergency department (ED) care costs the system approximately \$38 billion annually

EMPLOYERS:

- Waste in health care contributes significantly to higher employer costs for care and, ultimately, to higher premiums
- Lack of timely access to primary care services leads to increased absenteeism and loss of employee productivity
- Underuse of information technology by providers results in preventable medical errors and increased employer costs

PATIENTS' GROUPS:

- Unnecessary procedures expose patients to significant health risks, complications and even death
- Underuse of medically appropriate drugs results in avoidable hospitalizations and unnecessary patient costs
- Misuse of ED services leads to unnecessary tests, hospitalizations and expenses

