



How Can We Decrease Waste in Health Care

Ensure that Americans receive care at fair and reasonable (costs) *prices* by:

- Reform payment system to reduce overtreatment and failures of care delivery
- Make prices visible and vigorously negotiate price to reduce high prices. Price visibility, and strong price negotiation to reduce high prices.
- Reduce administrative complexity.

There are two categories of waste or unnecessary expense: unnecessary or downright bad care leading often leading to preventable complications and administrative waste. There are five kinds of unnecessary or downright bad care:

1. Hospital or out-of-hospital complications (e.g. an avoidable infection that occurs in the hospital);
2. Avoidable ER visits (e.g. a visit for a cold to the emergency room because primary care was not available);
3. Hospital readmissions (e.g. a patient admitted to the hospital for heart failure was discharged too soon from the hospital);
4. Initial hospital admissions (e.g. a patient admitted for uncontrolled when at least some of the time, better coordinated care could have avoided the hospitalization) and
5. Unnecessary outpatient tests (e.g. MRI's of the back which are often done unnecessarily for back pain).

While change is beginning, unfortunately in most health care situations today, the financial incentive is to pay extra for unnecessary or downright bad care. While we will never, for example, eliminate all medical complications at the very least we should not pay more for bad care than for appropriate, good medical care. To say otherwise is, I will buy a car based on how bad its repair record is i.e. the more repairs have been made (and hence, the more that has been spent on repairs), the more I will pay for the car. That is how we pay for health care today. We can do better if we all become aware of the waste in health care and we demand that the payers do something about it.

With respect to administrative complexity there are many types of wasteful paperwork that could be avoided if either private insurers worked together and/or the federal

government would take the lead. Large state health care programs (they are responsible for Medicaid or health insurance for low income people) such as *those in* California, New York or Texas could help. Any of these groups could insist on a standard way of submitting claims that would automatically figure out if there were any deductibles or copayments or pre-authorizations involved.

Many states and even the federal government have put their toes in the water to try to prevent, reduce, or eliminate wasteful care. We are moving in the right direction; but far too slowly. Hundreds of billions of dollars and thousands of lives are at stake. Consumers can take action with their votes.