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## One-Third of Health Care Spending Wasted

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By Editor Test    Tue, Oct 27, 2009

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Administrative inefficiency, unnecessary treatment, medical errors and fraud cost the U.S. health care system \$600 billion to \$850 billion each year, according to a Thomson Reuters review of published research and analyses of proprietary healthcare data.

Unnecessary care, some of it associated with “defensive medicine,” accounted for 40% of the wasted expenditures, the news agency found. Fraud accounted for almost 20%.

“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. “By attacking waste, healthcare costs can be reduced without adversely affecting the quality of care or access to care.”

The study identified these sources of avoidable spending:

**Unnecessary Care** (40% of healthcare waste): Treatments such as the over-use of antibiotics and the use of diagnostic lab tests to protect against malpractice exposure cost \$250 billion to \$325 billion each year.

**Fraud** (19% of healthcare waste): Phony Medicare claims, kickbacks for referrals for unnecessary services and other healthcare fraud cost \$125 billion to \$175 billion each year.

**Administrative Inefficiency** (17% of healthcare waste): 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 cost \$75 billion to \$100 billion each year.

**Preventable Conditions** (6% of healthcare waste): Hospitalizations for conditions like uncontrolled diabetes, which could be managed on an outpatient basis, cost \$25 billion to \$50 billion each year.

**Lack of Care Coordination** (6% of healthcare waste): Inefficient communication between providers leads to duplication of tests and inappropriate treatments that cost \$25 billion to \$50 billion annually.

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