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High Cost of Healthcare Bureaucracy in U.S.

In 2017, Americans spent $812 billion on healthcare paperwork (over a third, 34.2%, of total expenditures for doctor visits, hospitals, long-term care and health insurance). Of those, $600 billion would have been saved had the U.S. cut their administrative costs to Canadian levels, according to a new study published in the *Annals of Internal Medicine.*

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Himmelstein and colleagues (2020) analysed accounting reports of insurers and healthcare providers (hospitals, physicians, nursing homes, home care agencies, and hospices), government reports, census-collected data on employment and wages in healthcare, with additional data coming from surveys of physicians. This is the second attempt to quantify administrative spending by insurers and providers in the U.S. and Canada; the first similar study was performed in 1999 by the same research team.

In the U.S., administration cost insurers and providers four times more than in Canada: $2,497 per capita (34.2% of national health expenditures) vs. $551 per capita (17.0%). Particularly, insurers' overhead – $844 in the U.S. vs. $146 in Canada; hospital administration – $933 vs. $196; nursing home, home care, and hospice administration – $255 vs. $123; and physicians' insurance-related costs – $465 vs. $87 respectively.

Canada implemented a single-payer healthcare system in 1962. Before that, its healthcare system (in terms of payments, costs and administrative staff numbers per capita) was similar to the U.S. As the first research showed, by 1999, in the U.S. 31% of health expenditures were for administration, while in Canada this figure stood at 16.7%. Since then, administration's share of U.S. health expenditures has grown by 3.2pp (from 31.0 % to 34.2%), of which 2.4pp was due to growth in private insurers' overhead (private insurers have become more involved in public healthcare programmes, such as Medicaid and Medicare, which now account for 52% of their revenues) .

Furthermore, the authors note that their estimates of administrative costs and their growth might be understated due to unavailability of some data in 2017, differences in accounting categories for the two countries, and the 13.2% increase in private insurance overhead in 2018, officially announced after the study had been completed.

In conclusion, the authors underscore the inefficiencies of the U.S. private insurance-based, multipayer system, noting that in the U.S. consumers have to pay more to cover for medical providers' costly administrative burden.

References

Himmelstein DU, Campbell T and Woolhandler S (2020) Health Care Administrative Costs in the United States and Canada, 2017. *Annals of Internal Medicine*, published online ahead of print January 6, 2020. Available from https://annals.org/aim/article-abstract/2758511/health-care-administrative-costs-united-states-canada-2017

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