



Written by [Thomas R. Eddlem](#) on October 27, 2009

## Study Finds Obama Is Focusing Upon Wrong Healthcare Waste

A major healthcare study by Thomson-Reuters has concluded that the United States wastes between \$600 billion and \$850 billion on healthcare annually, a third of all healthcare costs. Perhaps more importantly, the study essentially concluded that President Obama is looking in the wrong directions for eliminating major sources of waste in his reform efforts.



The October 26 study [concluded](#) that the largest source of waste in the U.S. healthcare system was over-medication as a defense against malpractice lawsuits, which constituted a full 40 percent of all waste in the U.S. system:

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.

The second largest cause of waste in the U.S. healthcare system, [according to Thomson-Reuters](#), is fraud. "Healthcare fraud costs \$125 billion to \$175 billion each year," the study concludes, or 19 percent of total waste in the system, "manifesting itself in everything from fraudulent Medicare claims to kickbacks for referrals for unnecessary services." President Obama has been up front in telling the American people that the current "public option," Medicare and Medicaid, are rife with waste and fraud.

By way of contrast, the study concluded that just six percent of healthcare waste is a result of failure to offer preventative care for those at risk for preventable conditions:

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.

President Obama has made a mantra out of the claim that the United States spends more on healthcare than other industrialized nations, but isn't any healthier for the additional spending. On September 9, he [told a joint session of Congress](#) that "we've estimated that most of this plan can be paid for by finding savings within the existing health care system, a system that is currently full of waste and abuse. Right now, too much of the hard-earned savings and tax dollars we spend on health care don't make us any healthier. That's not my judgment — it's the judgment of medical professionals across this country. And this is also true when it comes to Medicare and Medicaid."

And the Thomson-Reuters study agrees that the system is rife with waste. But President Obama has repeatedly told Americans they will pay significantly less for healthcare if he can offer preventative



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care, such as this statement from his August 11 [town hall meeting in Portsmouth, New Hampshire](#):

All I'm saying is let's take the example of something like diabetes, one of — a disease that's skyrocketing, partly because of obesity, partly because it's not treated as effectively as it could be. Right now if we paid a family — if a family care physician works with his or her patient to help them lose weight, modify diet, monitors whether they're taking their medications in a timely fashion, they might get reimbursed a pittance. But if that same diabetic ends up getting their foot amputated, that's \$30,000, \$40,000, \$50,000.

He said much the same thing in a [Shaker Heights, Ohio, "town hall" meeting July 23](#):

I really want to focus on, in addition, what you just mentioned, which is issues of prevention and wellness. This can make such a huge difference.... But the problem is, right now, that a lot of the health system doesn't reimburse and incentivize that kind of preventive work and that wellness work. And so what we want to do is absolutely in this reform package, there will be reimbursements for and incentives for prevention and wellness, and we're going to make sure that those are the things that don't require out-of-pocket costs for the patient so that they're not being discouraged from using it, but rather they're being encouraged from using it — that will make all the difference in the world.

But the Thomson-Reuters study concluded it won't make all the difference in the world. The United States does indeed spend more per person on healthcare than other industrialized nations, in part because American private insurers often cover expensive new life-saving drug treatments that European "single-payer" systems run by governments that typically don't pay for until years after they've been on the market. In a system where healthcare costs often increase at double-digit rates annually, preventative care is not going to bring U.S. healthcare costs down to par with its European counterparts. But the Thomson-Reuters study documents that if Obama is serious about cost controls in healthcare, the main focus of his reform should be on eliminating "defensive" medicine with malpractice insurance reform rather than on creating another "public option" like Medicare where fraud is rampant.



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