

# Fixing Misconceptions on U.S. Healthcare



## Summary:

*Do we really spend \$3 trillion a year? Or is much of that wasted on excessive administration and poor planning but billed as ?healthcare??*

*By: David Berg*

Today's healthcare system is an absolute mess. It's outrageously expensive, needlessly complicated and driven by transactions instead of relationships. People are paying more and more each year -- always for less insurance coverage and very little "real" healthcare. Of course, the system is broken. Or is it? To begin to transform healthcare, it's important to identify and correct our misconceptions about the system. Let's start with two big ones: **Misconception #1: Americans spend nearly \$3 trillion a year on healthcare (and this number is rising).** Three trillion dollars is about 18% of our nation's gross domestic product. We rank terribly against other developed countries for overall healthcare system costs. But there is a major problem with this statistic. It doesn't represent what's really happening. Look at Canada, which ranks much better than the U.S., spending less than 12% of its GDP on healthcare -- but we are calling foul on this stat. I lived in Canada for 23 years. I received my education there, trained there, practiced there, owned a company there and was a patient of the Canadian healthcare system on several occasions. I also have many friends and family members who still live there. The truth is that many Canadians come to the U.S. for routine and not-so-routine healthcare because it is not easy to access in Canada. In fact, if you're in Canada and need healthcare urgently, you may find yourself in a terrible bind. The truth is that the Canadian healthcare system simply doesn't match up to the U.S. system for quality, accessibility and true effectiveness. It's not even close. The most privileged people in Canada wait (and sometimes die waiting) for services that the poorest and most average Americans can access right away, very successfully, every hour of every day. I've seen it over and over again with my own family and with many strangers looking for help. Americans wouldn't tolerate for one day what even the most privileged Canadians endure indefinitely before finally coming to the U.S. for care. So how can Canada's better healthcare GDP ranking be explained? Let's start by breaking down U.S. "healthcare" spending:

\$1 Trillion

\$1 Trillion

\$1 Trillion



trillion a year? Or is a large portion of this money wasted on excessive administration and poor planning but billed as ?healthcare? spending? Are there healthcare companies that depend on revenue and profits generated by this waste and administration? Yes, there are. Here?s my take. Many status quo healthcare players are certain to disagree, but, as Upton Sinclair said, ?It is impossible to prove something to someone whose salary depends on believing the opposite.? I believe that true healthcare costs in the U.S. are only about \$1 trillion (6% to 8% of GDP) and that many industries are turning a nice profit by structuring their systems to capitalize on predictable waste, administration, inefficiencies and poor planning ? built right into the U.S. healthcare design. [Why Healthcare Must Be Transparent](#) I?m not saying that there isn?t any waste or unnecessary administration that spur extra spending in Canada ? there?s lots of it. I?m just saying that the financial incentives are much different. Waste and administration don?t pay as profitably in Canada as they do in the U.S. I?m also not saying that the Canadian healthcare system is better than in the U.S. I believe healthcare is far superior here. I?m just saying that in the U.S., we allow big industries to earn humongous profits off of waste, administration, inefficiency and poor planning. Canada does not. ?Waste? is a bit abstract, so let?s provide a couple of examples. In Canada, an MRI completed at a cost of \$300 to \$500 in an independent lab is not performed again a week later in a hospital at a much higher cost, as can happen in the U.S. And a gall bladder surgery that can be performed at one site for \$3,200 will not be performed at another hospital for \$14,000. This happens in the U.S. many times every day, contributing greatly to our \$3 trillion in costs. This difference in cost is ?waste,? not ?real healthcare.? ?Poor planning? is also a bit abstract. But imagine the diabetic child of one of your employees running out of her 90-cent glucose monitoring strips that are essential for determining the correct dose of insulin she needs. It would not be uncommon for this situation to lead to a \$20,000-plus hospital admission. So, you tell me, was the hospital?s \$20,000-plus in revenue a result of a need for ?healthcare,? or was it really because of ?poor planning? built right into a system that limits diabetic supplies? Maybe we?d be going overboard if we claimed that this design was deliberate, but the fact remains that limiting basic, inexpensive primary care, education and diabetic supplies benefits the status quo players in healthcare. This amount also contributes to America?s \$3 trillion in healthcare spending. Moreover, Canadian private insurance companies simply cannot demand double-digit premium increases from employers every year to pay for this waste, administration and poor planning, but it is tolerated by most businesses in the U.S. **Misconception #2: The healthcare system is broken.** Like most people, I used to agree with the commonly stated premise that the healthcare system is broken. I now have concluded that the American private healthcare system is working exactly as intended. Let me explain. America?s healthcare system is run and controlled by trillion-dollar industries with multi-hundred-billion-dollar companies that are publicly traded and exert a lot of influence on the actions of our governments. With all of the talk about the expenses resulting from the Affordable Care Act, it?s shocking to learn that the most profitable stocks from 2011-2016 were U.S. insurance, pharmaceutical, hospital and other related healthcare companies. In fact, the percent growth in American health insurance stocks during that period are four to five times greater than the Dow, and the Dow is up more than 100%! These public companies have a goal (and fiduciary duty) to grow revenue and profits (and share prices) by any legal means. Because these companies can easily leverage their size and influence to exert control, I believe it is reasonable to conclude that today?s U.S. healthcare system is working perfectly for what it



was designed to do ? return shareholder value to these companies. It's just not working that well for the rest of us. Maybe it's just not designed for us. Are there any business owners or employees who still feel that the healthcare system exists primarily to serve them? If the system did exist for you, wouldn't you expect to see much more transparency in pricing? Would you accept insurance premiums that go up 10% to 40% percent every year? Wouldn't your employees be able to make appointments much more easily and have more access to their doctors via the phone? Wouldn't their doctors' appointments begin on time, minimizing time wasted in a waiting room? In a nutshell, healthcare would be much easier, more convenient, more affordable and more accessible, and you wouldn't have the hassle, frustration and feeling that you were being taken advantage of at every renewal time. Clearly, the system is not designed to serve the employer and employee. But this doesn't mean it isn't doing what those in power want it to do. Share prices don't lie. The more we have studied it, the more we see that the only two stakeholders in the entire healthcare system who are aligned for costs, quality and customer experience are the purchaser of healthcare (the employer) and the user (the employee). All other stakeholders (e.g., hospitals, doctors, insurance companies, brokers, pharmaceutical companies, and even our politicians) have incentives to do things and make decisions that are not aligned with the employer and employee. At the very least, there are many things that happen in the healthcare system that do not benefit the employer and employee but do benefit other stakeholders in the system. But there is a secret: When an employer and employees team up and recognize their aligned interests, they gain a tremendous new capability for lowering healthcare costs, getting better quality and results and receiving the customer experience they want. Even though it could seem that the more organized stakeholders of healthcare (e.g., the hospitals, insurance companies, brokers, doctors, etc.) are conspiring to take advantage of employers and their employees, we would encourage you instead to consider that, in most cases, the people running the system are very good people who want the best and want to help people. This is why they pursued a career in healthcare in the first place. It is just unfortunate that the system in which they work has evolved and now essentially forces them to add the costs of profitable waste and unnecessary administration, and often they don't even know they are doing it. **See also: [Not Your Mama's Recipe for Healthcare](#)** It doesn't have to be this way -- and there are ways that employers can take back control. It always starts with challenging the status quo thinking, and by taking a common sense approach to simplifying and gaining price transparency. Designing an employer health plan that makes routine primary care, labs, chiropractic and preventive exams super easy, convenient and affordable is always the foundation for minimizing the high-dollar expenses that eat up most of the healthcare claims budget. Read [Business Owner's Guide to FIGHTING HEALTHCARE](#) for more details on how anyone can make healthcare work for them.



## **David Berg**

[katy@akerink.com](mailto:katy@akerink.com)

David Berg is co-founder and chairman of the board of Redirect Health. He helps oversee operations and develops innovative ways to enhance the company's processes and procedures for identifying the most cost-efficient, high-quality routes for common healthcare needs.