



The Potential for Improved Processes, Outcomes, and Economics of Health Care

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Inefficiencies in medicine are rampant in clinical care. Mounting regulations and demands from both public and private health insurance carriers fuel much of the inefficiency in health care. This includes 629 discrete regulatory requirements across 9 domains. The primary drivers of these 341 hospital- and 288 physician-related requirements are the Centers for Medicare & Medicaid Services, the Office of Inspector General, the Office for Civil Rights, and the Office of the National Coordinator for Health Information Technology.¹ In parallel with the burgeoning number of government bureaucrats responsible for writing and overseeing these regulations, medicine has had to expand its administrative staff. The average-sized hospital dedicates 59 full-time equivalent employees (FTEs) to regulatory compliance, over a quarter of which are doctors and nurses. Over two-thirds of FTEs associated with regulatory compliance are involved with conditions of participation and billing/coverage verification, which represents 63% of the total average annual cost of regulatory burdens.

The pace of changes in regulations makes compliance challenging. Fraud and abuse laws are outdated and have not evolved to support new models of care.

Technology and Physician Burnout

The average hospital spends over a million dollars annually to meet administrative requirements and upgrades to information technology. Quality reporting requirements are often duplicative and have inefficient reporting processes, especially for practices involved in value-based purchasing models. Among other factors, this increase in the regulatory burden for medicine has significantly contributed to the continued rise in health care costs. Currently, health care dedicates over \$39 billion per year to comply with the administrative aspects of regulations. Despite the injection of technologies that should eliminate many of these inefficiencies, physicians and other caregivers are struggling with burnout, especially in this post-COVID-19 era of medicine. Now artificial intelligence is hoped to relieve

the predictable physician shortage and the weighty documentation tasks of physicians and other health care professionals. The advancements in medical outcomes have resulted from scientific breakthroughs—not bureaucrats.

Increasing Costs Relating to Health Care

The cost of American health care is borne by every taxpayer and through individuals directly paying for health insurance and out-of-pocket care. Among the ways the average taxpayer currently underwrites American health care are the following: (1) Medicare taxes; (2) income taxes that fund Medicaid, the Children's Health Insurance Program (CHIP), the Affordable Care Act (ACA) subsidies, and other health care programs and entities; (3) an individual's share of payment to a health care plan; (4) the increased cost of products to underwrite an employer's cost for health care insurance benefits to its employees; (5) costs of supplemental health insurance coverage; and (6) out-of-pocket costs.

When someone retires, they continue to

pay income taxes on their Social Security income and pay Medicare premiums. Supplemental health insurance is often recommended to cover the approximate 30% of health care expenses not covered under Medicare. Federal taxes subsidize the ACA and every other public health insurance program. The taxpayer's state taxes also help underwrite Medicaid and local health care entities and services. In all cases, health care plan deductibles and other out-of-pocket health care expenses remain an issue. At every turn, the taxpayer pays and pays. To paraphrase an old song, "Where has all the money gone?"

However, the enormous amount of money invested in our health care systems has not translated into a healthier America. In the US, the 2022 per capita health care expenditures averaged \$12,555, which was about \$6000 greater than in other high-income countries.^{2,3} The total national health care expenditures in 2019, before the pandemic, equaled \$3.8 trillion, reaching \$4.5 trillion in 2022, consistently representing about 17.5% of the gross domestic product.^{3,4,5} The total national health care expenditures in 2022 were \$200 billion greater than health care costs at the height of the pandemic in 2021. Over the past 2 decades, multiple studies have found that 15% to 25% of total health care expenditures are spent on overall administrative costs.⁶ Beyond regulatory costs alone, the most prevalent administrative costs are billing and coding, including follow-up of accounts billed to insurance companies, and health care system administration.^{7,8,9} In 2019, nearly \$1 trillion was spent on 5 administrative areas that included financial transactions, industry-agnostic corporate functions, industry-specific operational functions, customer and patient services, and administrative clinical support functions.¹⁰ These administrative costs to medical practices, however, do not include the federal and state infrastructure needed to manage governmental health care programs.

Private vs Public Insurance Funding

About 48% of Americans have employer-based private insurance, while 23% are exclusively covered under a public health care plan. Medicaid/CHIP and Medicare were the most common public health care plans in 2022, covering about 21% and 15% of the population in America, respectively. In 2008, 54% of Americans had employer-based health insurance, and only 13% and 11% were insured by Medicaid and Medicare, respectively.¹¹ Funded by both the federal government and the individual states, Medicaid benefits are administered by the states under federal requirements. Medicaid covers 17% of adults between the ages of 19 and 64 years, 40% of children, and 33% of people with disabilities. Direct purchase health care under the subsidized ACA covered only about 10% of the US population in 2023, costing the US taxpayer \$2.0 trillion in federal subsidies.¹² By 2034, the annual amount of federal subsidies for the ACA is projected to nearly double, reaching \$3.5 trillion per year or 8.5% of the gross domestic product. In fiscal year 2020, the Department of Health and Human Services (HHS) proposed \$1.2 trillion in mandatory funding and \$87.1 billion in discretionary budget authority.¹² The post-COVID-19 proposed HHS budget for 2025 included \$1.7 trillion in mandatory funding and \$130.7 billion in discretionary budget authority, representing a 50% increase over the discretionary funding requested in 2020.^{13,14} Simply put, these budgetary increases are unsustainable.

Physicians Feel the Impact of Regulatory Decisions

The increased regulatory load has also impacted the demographics of medical practice. Over the past decade, more than half of all physicians have become health system employees, increasing to nearly 70% of physicians under the age of 45.^{15,16} Contributing to this shift in medical

practice, physicians are encumbered by student loans and the inordinate costs of establishing and running a credentialed medical practice. Even in the past, the business of medicine was never included in the medical school curriculum. Due to deliberate shifts in reimbursement patterns to effect change, private medical practices have been acquired by health care conglomerates. For politicians in Washington, DC, it is easier to effect changes in health care when interacting with a few large corporate entities rather than thousands of independent private practice physicians. As more physicians become employees, medical societies, which represent physicians, have less influence on health care policy than large health care systems. Despite the dedication of health care professionals during the pandemic and an approximate 20% cumulative inflation rate over the past 4 years, another approximate 2.8% cut in Medicare reimbursement was scheduled for 2025. When adjusted for inflation, Medicare reimbursement has dropped 29% since 2001.¹⁷

Everyone in medicine is frustrated by the inefficiencies of a broken system restricted by regulations and administrative waste. Although many in medicine will oppose it, the Department of Government Efficiency (DOGE) will address the inefficiencies and unnecessary regulations within the health care system that are ineffective in improving the health care and health of Americans. The economic cost of health care to the nation and the individual taxpayer is enormous and unsustainable. The onerous health care costs and often un navigable health care system that has developed with burgeoning regulations place massive burdens on our patients and every taxpayer. It will then be up to medicine to respond when inefficiencies within health care programs are eliminated by DOGE. ■



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