

THE AMERICAN HEALTHCARE COST CRISIS: ADDRESSING ADMINISTRATIVE WASTE AND MORE

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The [North Carolina Oncology Association \(NCOA\)](#) and [South Carolina Oncology Society \(SCOS\)](#) held their annual joint conference in Charlotte, N.C., on February 17. Marty Makary, MD, MPH, a New York Times bestselling author and chief of Islet Transplant Surgery at The Johns Hopkins Hospital, The Sidney Kimmel Comprehensive Cancer Center, delivered the keynote address. Dr. Makary [is the recipient](#) of the Society for Advancing Business Editing and Writing’s 2020 Best in Business Award for his book: *The Price We Pay: What Broke American Healthcare - and How to Fix It*.

To begin his keynote, Dr. Makary said, “When people ask what I am, I say: I was born in England, which is why I slip into a British accent sometimes. My family is from Egypt, which is why my skin is brown, and I was raised in the United States—which is why I have type II diabetes.” Dr. Makary credits his Egyptian background, in part, to his ability to identify and assess scientific dogma ([a principle or set of principles](#) laid down by an authority and held to be incontrovertibly true). “My mom, who grew up in Egypt, does not believe anything she hears on the news because her whole life was [spent with a] state-controlled television,” Dr. Makary said. “She always told me, ‘Don’t believe what you hear.’”

According to Dr. Makary, there are a significant number of “blind spots” in medicine. Thus, his research team strives to combat people’s erroneous beliefs about healthcare. “We try to conduct studies that evaluate what’s considered dogma in many fields,” he said. “I am guilty of inheriting dogma. So we conduct a lot of studies to challenge deeply held assumptions, and that should be the purpose of science.”

Dr. Makary argued that people are often guilty of ignoring the complexities of many situations. “Psychologically, our brains are wired to latch on to simple stories to define complex systems,” he explained. “We do these with many issues. We did it with the banking system before the mortgage crisis, and we do it with healthcare.” He waged that the healthcare and mortgage crises are similar—both are being driven by costs, affecting affordability and access, as well as the lives of the people within the system. “Administrative waste is responsible for much of that cost,” he said.

Federal Expenditure on Healthcare Costs

According to Dr. Makary, nearly half of the U.S. federal budget is spent on healthcare. In 2021, Medicare expenses totaled [\\$901 billion](#), while that of Medicaid and the Children’s Health Insurance Program (CHIP) totaled [\\$756 billion](#) in spending. “Half of social security checks are spent on co-pays, deductibles, coinsurance, and non-covered services,” Dr. Makary said. “They [Department of Defense] have their own health insurance program like Medicare; it’s called [Tricare](#).” Further, Dr. Makary shared that the U.S. government sources health insurance on the private market for 9.1 million federal workers and their beneficiaries. In 2021, [\\$1,211 billion](#) was spent on private health insurance. “The average price of health insurance is 22 thousand

dollars per household this year,” he explained. “We are spending about half of all government spending on healthcare, without even using the system—that is what people are contributing through their federal taxes.”

Dr. Makary argued that physicians are not the recipients of these exorbitant financial resources. “All physician associations, they don’t agree on anything, but they agree on one thing: that they have been getting squeezed on physician payments,” he said. According to the American Medical Association, following an adjustment for inflation, [Medicare’s physician payments](#) have decreased by 22 percent from 2001 to 2022. “The money is not going to physicians, so where is it going?” Dr. Makary asked. “I would say that most of it is going to the claims adjudication, peer review, managed care... coding and billing, and the revenue cycle process. All [of] that costs money. A hospital hires an army of people to negotiate a contract.”

In a [2019 op-ed for USA Today](#), Dr. Makary expressed a similar sentiment on what he believes to be administrative waste within the American healthcare system. In the article, he writes:

“We already spend enough money to provide every American with the best health care on the planet. It’s time to cut the waste.

We need to examine health care’s overpriced services, middlemen and the perverse incentive structure that promotes unnecessary tests and procedures. The lack of transparency around the business of medicine has created a fog that enables the price gouging and kickbacks that profit some on the backs of everyday Americans.”

Feeding the Nursing Crisis

Dr. Makary also shared his belief that the current nursing crisis is similarly due to the misuse of funds by hospital administrations. “The last five years in North Carolina has seen nursing salaries go up on average [by] 16 percent, whereas CEO [chief executive officer] salaries have doubled. This is a national trend,” he said. “When you lose 1 out of 10 nurses for whatever reason, the strain on the other nine is something you don’t really appreciate unless you talk to the other nine. It is significant.”

According to Dr. Makary, some healthcare institutions are now paying more than double the amount for traveling nurses than they would have paid for full-time nurses on staff to fill care gaps. “That was penny wise [and] pound foolish,” he said. “It was an administrative error, and I think there should be accountability.”

Looking Forward

“The secret part about the practice of medicine is that the collegiality can be the more rewarding part of the job,” Dr. Makary said to conference attendees. “The talking among colleagues, sharing pain points and frustrations on how you deal with clinical dilemmas, and having a safe place to talk.” The NCOA/SCOS joint conference last month fostered the collegiality Dr. Makary referenced in his keynote address.

By creating an environment that allowed healthcare professionals to exchange ideas, the NCOA/SCOS joint conference equipped attendees with requisite knowledge to tackle the problems in healthcare they are experiencing at home. An undoubtedly gargantuan task, but one that can be achieved through open communication and effective collaboration.