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Waste, Waste Everywhere and Not a Dime to Spare

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The [Institute of Medicine](#) says we are wasting 30 cents of every dollar we spend on medical care. Originally I was going to pan the study, but I can't resist a good read. Like this:

If banking were like health care, automated teller machine (ATM) transactions would take not seconds but perhaps days or longer as a result of unavailable or misplaced records.

If home building were like health care, carpenters, electricians, and plumbers each would work with different blueprints, with very little coordination.

If shopping were like health care, product prices would not be posted, and the price charged would vary widely within the same store, depending on the source of payment.

If automobile manufacturing were like health care, warranties for cars that require manufacturers to pay for defects would not exist. As a result, few factories would seek to monitor and improve production line performance and product quality.

If airline travel were like health care, each pilot would be free to design his or her own preflight safety check, or not to perform one at all.

I also enjoy factoids like this:

One way to measure this impact is through mortality amenable to health care, defined as the number of deaths that should not occur in the presence of timely and effective health care. Examples of amenable mortality include [childhood](#) infections, surgical complications, and diabetes. The level of amenable mortality varies almost threefold among states, ranging from 64 to 158 deaths per 100,000 population. If all states had provided care of the quality delivered by the highest-performing state, 75,000 fewer deaths would have occurred across the country in 2005.

Also there are a lot of good descriptions of how complicated is the life of a typical doctor or nurse, of how many different ways there are to order a prescription in a hospital and how many other physicians a typical primary care physician has to relate to.

Here is my overall problem. Suppose I told you that in the bad old days of the Soviet Union one of every three workers was doing unnecessary work. Probably true, but what could anybody do with that information. Nothing. Russian workers didn't walk around with a sign saying "Everything I do is

redundant.” Knowing a system is inefficient and being able to do something with that knowledge are two different things.

Similarly, I have no problem believing that one of every three dollars we spend on health care is wasteful. But as my loyal readers know, there is no line item in anyone’s budget that is labeled “waste.” If you don’t know where the waste is, you can’t eliminate it.

The IOM has a number of suggestions of what to do about the problem. None of these suggestions involve liberating doctors and patients from the perverse incentives of third party payment and leaving them with good incentives to root out waste and get rid of it. Instead they serve up these bromides:

- * Improve the capacity to capture clinical, care delivery process, and financial data for better care, system improvement, and the generation of new knowledge.
- *Streamline and revise research regulations to improve care, promote the capture of clinical data, and generate knowledge.
- *Accelerate integration of the best clinical knowledge into care decisions.
- *Involve patients and families in decisions regarding health and health care, tailored to fit their preferences.
- *Promote community-clinical partnerships and services aimed at managing and improving health at the community level.
- *Continuously improve health care operations to reduce waste, streamline care delivery, and focus on activities that improve patient health.
- *Improve coordination at communication within and across organizations.
- *Structure payment to reward continuous learning and improvement in the provision of best care at lower cost.
- *Increase transparency on health care system performance.
- *Expand commitment to the [goals](#) of a continuously learning health care system.

If Steve Jobs sent out memos like this one, there never would have been an iPhone.

More generally, getting rid of waste is what markets do. But they can’t do their job if they are systematically suppressed.