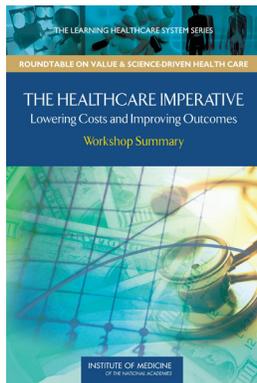


# The Healthcare Imperative

## Lowering Costs and Improving Outcomes



Why are health care costs too high, and what can be done to lower them? These questions are among the central domestic policy challenges of the day. The United States spends far more on health care than any other nation and, if current patterns continue, in coming years healthcare costs are projected to consume nearly one fifth of the nation's economy. Yet, despite this spending, the U.S. lags far behind other countries in numerous health outcomes measures.

To address concerns about escalating healthcare costs and the need for effective solutions, the Institute of Medicine (IOM), with the support of a grant from the Peter G. Peterson Foundation, hosted a series of meetings with physicians, nurses, patients, hospital administrators, health economists, employers, insurers, and others to discuss the sources of waste and inefficiency in health care.

These meetings, summarized by the recent publication *The Healthcare Imperative: Lowering Costs and Improving Outcomes*, used a novel framework for exploring and measuring the total excess costs in health care, examined the evidence behind different initiatives to reduce costs and improve value, and considered what steps would be necessary to lower the nation's healthcare expenses by 10 percent in 10 years while improving patient health and the quality of health care provided.

Workshop discussions considered the nature and size of excess costs stemming from problems in 6 domains: unnecessary services, services inefficiently delivered, prices that are too high, excess administrative costs, missed prevention opportunities, and medical fraud. This framework was the first to examine and compare all the sources of excess costs in a detailed way, highlighting the factors that drive healthcare costs.

Participants went further and examined comparatively the total amount of waste and inefficiency of health care using three very different analytic approaches: examining the impact of regional variation in healthcare costs; comparing U.S. healthcare costs to similar countries; and a novel framework using the 6 domains of excess cost discussed above. Although approaching the issue in different ways, each of these approaches estimated total excess costs in the U.S. healthcare system approaching \$750 to \$785 billion in 2009. Using this comprehensive review, presenters identified 10 ways to reduce healthcare costs by 10 percent in 10 years, without compromising health status or innovation.

To learn more about the solutions discussed and view the full workshop summary publication, visit <http://www.iom.edu/vsrt>.