One of the most shocking consequences of the commercial health care system in the United States is that overhead costs at every level of the system devour a much larger portion of our health care dollar than in countries with publicly financed health care.

This fact is the exact opposite of the stereotype that public agencies tend to become bloated, inefficient bureaucracies, while the private sector encourages lean efficiency through competition. Without exception, public insurance within the United States and across countries is vastly more efficient than private insurance.

- **Private Insurance Companies** waste much more on overhead than public insurance plans.
- **Hospitals** waste more on overhead just paying multiple insurers and screening patients for insurance coverage.
- **Physicians Offices** likewise face the same administrative burdens imposed by commercial insurance.

### Medicare Overhead
Medicare, the publicly managed plan for the elderly in the United States, spends 5 percent of each health care dollar on administrative expenses, compared with the 17 percent devoured by private insurers on average. This is because private companies spend more on marketing, often pay exorbitant salaries to executives, and take a cut of each health care dollar for profits and company reserves. Cutting out private insurance overhead saves at least 10% of every health care dollar spent in countries with a public insurance plan.

### Hospital and Physician Overhead
Hospitals and physicians incur enormous overhead expenses because they must deal with dozens of private insurance companies, as well as with many individuals who have to be billed directly for care not covered by insurance. The result is a large billing department at every hospital and an enormous percentage of every physician, nurse, and technician’s time lost to paperwork.

The waste incurred by a private insurance system even at the level of health providers is vividly portrayed by a comparison of overhead expenses for hospitals and physicians in the United States compared with Canada. Remember, Canada does not have “socialized medicine” - hospitals and physicians are privately owned and run - these costs are generated solely by the insurance system.
The Bureaucracy is Growing Faster Than Direct Care
The net result of commercial health insurance in the United States has been an explosion of bureaucracy at all levels of the health care system. This is clear from a comparison of the growth in health care administrators over time relative to the growth in physicians.

![Graph showing growth of Physicians vs. Administrators](http://masscare.org/health-care-costs/overhead-costs-of-health-care/)


We will never have enough money to provide everyone with decent care until we eliminate private insurance with its enormous waste and inadequate coverage. And we will never be able to keep costs down and get the care we need as long as the wasteful and unnecessary insurance corporations stand between us and our doctors.

What are our alternatives?

Every other industrialized country has some form of universal health care. None uses profit-making, investor-owned insurance corporations like ours to provide health care for all their people.

We have an American system that works. It’s Medicare. It’s not perfect, but Americans with Medicare are far happier than those with private insurance. Doctors face fewer hassles in getting paid, and Medicare has been a leader in keeping costs down. And keep in mind that Medicare insures people with the greatest health care needs: people over 65 and the disabled. We should improve and expand Medicare to cover everyone.

A national single-payer “Medicare for All” system is embodied in H.R. 676, sponsored by Rep. John Conyers. It would have:

- Automatic enrollment for everyone
- Comprehensive services covering all medically necessary care and drugs
- Free choice of doctor and hospital, who remain independent and negotiate their fees and budgets with a public or nonprofit agency
- Public or nonprofit agency processes and pays the bills
- Entire system financed through progressive taxes—no insurance premiums, deductibles or co-pays
- Growth in jobs and the entire U.S. economy by removing the burden of health costs from business
- Coverage for everyone without spending any more than we are now.

What can YOU do? Join thousands of other Oregonians in supporting “Health Care for All Oregon.” Check our websites [www.hcao.org](http://www.hcao.org) for further information.

Created by the Oregon Rural Action Health Care Reform Action Team, December 2012. [www.oregonrural.org](http://www.oregonrural.org)