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North Carolina , with 1.16 million uninsured, could save a total of $7.47 billion a year under NHI, which would make available $6,403 per uninsured resident per year. Texas, with 4.96 million uninsured (nearly one in four Texans), could save a total of $19.5 billion a year on administration under NHI, which would make available $3,925 per uninsured resident per year. California, with 6.7 million uninsured, could save a total of $33.7 billion a year, which would make available $5,016 per uninsured person. (See accompanying chart for details on other states.)

Last week, the government reported that health spending accounts for a record 15 percent of the nation's economy and that health care spending shot up by 9.3 percent in 2002. Insurance overhead (one component of administrative costs) rose by a whopping 16.8% in 2002, after a 12.5% increase in 2001, making it the fastest growing component of health expenditure over the past three years. Hence the figures in the Harvard/Public Citizen Report (which was completed before release of these latest government figures) may understate true administrative costs.

The authors of the International Journal of Health Services study attributed the high U.S. administrative costs to three factors. First, private insurers have high overhead in both nations but play a much bigger role in the United States. Second, The United States fragmented payment system drives up administrative costs for doctors and hospitals, who must deal with hundreds of different insurance plans (for example, at least 755 in Seattle alone), each with different coverage and payment rules, referral networks, etc. In Canada, doctors bill a single insurance plan, using a single simple form, and hospitals receive a lump sum budget, much as a fire department is paid in the United States. Finally, the increasing business orientation of U.S. hospitals and insurers has expanded bureaucracy.

The Medicare drug bill that Congress passed last month will only increase bureaucratic spending because it will funnel large amounts of public money through private insurance plans with high overhead.

The recent Medicare bill means a huge increase in administrative waste and a big payoff for the AARP, said study author Dr. David Himmelstein, an associate professor of medicine at Harvard and former staff physician at Public Citizen's Health Research Group. At present, Medicare's overhead is less than 4 percent. But all of the new Medicare money $400 billion will flow through private insurance plans whose overhead averages 12 percent. So insurance companies will gain $36 billion from this bill.Â And the AARP stands to make billions from the 4 percent cut it receives from the policies sold to its members.

Dr. Steffie Woolhandler, a study author, associate professor of medicine at Harvard and a founder of Physicians for a National Health Program, said hundreds of billions are squandered each year on health care bureaucracy, more than enough to cover all of the uninsured, pay for full drug coverage for seniors and upgrade coverage for the tens of millions who are underinsured. U.S. consumers spend almost twice as much per capita on health care as Canadians who have universal coverage and live two years longer. The administrative savings of national health insurance make universal coverage affordable.

Dr. Sidney Wolfe, director of Public Citizen's Health Research Group added: These data should awaken governors and legislators to a fiscally sound and humane way to deal with ballooning budget deficits. Instead of cutting Medicaid and other vital services, officials could expand services by freeing up the $286 billion a year wasted on administrative expenses. In the current economic climate, with unemployment rising, we can ill afford massive waste in health care. Radical surgery to cure our failing health insurance system is sorely needed.

Dr. Himmelstein described the real-world meaning of the difference in administration between the United States and Canada by comparing hospitals in the two nations. Several years ago, he visited Toronto General Hospital, a 900-bed tertiary care center that offered an extensive array of high-tech procedures, and searched for the billing office. It was hard to find, though; it consisted of a handful of people in the basement whose main job was to send bills to U.S. patients who had come across the border. Canadian hospitals do not bill individual patients for their care and so have no need to keep track of who receives each Band-Aid or an aspirin.

U.S. doctors face a similar billing nightmare, Himmelstein said. They deal with hundreds of plans, each with different rules and regulations, each allowing physicians to prescribe a different group of medications, each dictating that doctors refer patients to different specialists.

The U.S. system is a paperwork nightmare for doctors and patients, and wastes hundreds of billions of dollars.

COSTS OF HEALTH CARE ADMINISTRATION IN THE UNITED STATES AND CANADA, 1999

	Spending Per Capita, U.S. $	
	U.S.	CANADA
COST CATEGORY	259	47
INSURANCE ADMINISTRATION	57	8
EMPLOYERS' HEALTH BENEFITS ADMINISTRATION	315	103
HOSPITAL ADMINISTRATION	62	29
PRACTITIONERS' OVERHEAD/BILLING EXPENSE	324	107
HOME CARE ADMINISTRATION	42	13
TOTAL	**1059**	**307**

NUMBER OF ENROLLEES AND EMPLOYEES OF SELECTED MAJOR U.S. PRIVATE HEALTH INSURERS AND CANADIAN PROVINCIAL HEALTH PLANS, 2001

Plan Name	*Enrollees*	*Employees*	*Employees per 10,000 Enrollees*
US PLANS			
Aetna	17,170,000	35,700	20.8
Anthem	7,883,000	14,800	18.8
Cigna	14,300,000	44,600	31.2
Humana	6,435,800	14,500	22.5
Mid Atlantic Medical Services	1,832,400	2,571	14
Oxford	1,490,600	3,400	22.8
Pacificare	3,388,100	8,200	24.2
United Health Group	16,540,000	30,000	18.1
WellPoint	10,146,945	13,900	13.7
CANADIAN PLANS			
Saskatchewan Health	1,021,288	145	1.4
Ontario Health Insurance Plan	11,742,672	1,433	1.2

Graph Information courtesy of Woolhandler S, Campbell T, and Himmelstein DU. "Costs of Health Care Administration in the United States and Canada: Micromanagement, Macro Costs", International Journal of Health Services, 34:1, 65-78, 2004.