

## Higher Quality Doctors ARE Lower Cost

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The healthcare cost equation is very simple:

Price Per Unit of Healthcare X Number of Units of Healthcare = Healthcare Costs

For example...

The Price Per MRI X The Number of MRIs = Healthcare Costs for MRIs

The Price Per Surgery X the Number of Surgeries = Healthcare Costs for Surgeries

In order for an employer to lower their healthcare costs, they need to either lower the **unit price** of Healthcare, the **number of units** of healthcare or **both**.

Higher quality doctors can lower healthcare costs by lowering the number of units of healthcare.

How is that possible?

1. Patient care varies significantly among doctors.

If a patient sees different specialists for the same condition, they will likely be treated in different ways. There are scientifically-based best-practices in medicine. The problem is... many doctors don't follow them.

Harvard researchers found that the highest quality orthopedic surgeons performed knee surgery on patients with new osteoarthritis 2-3% of the time... because studies have shown surgery is largely ineffective for these patients.<sup>1</sup>

However, the researchers also found that the lowest quality orthopedic surgeons perform surgery 26-31% of the time for the same types of patients—10X More.

Higher quality doctors leads to lower healthcare costs.

## 2. 25% of Healthcare Spending is Waste.

A study in the Journal of the American Medical Association reviewed 71 separate analyses and found that \$760 billion to \$935 billion of healthcare spending is waste—that's 25% of all healthcare costs.<sup>2</sup>

Healthcare waste is **units of healthcare** that don't need to happen. Reducing waste means reducing the number of healthcare units.

By definition, higher quality doctors waste less healthcare.

## 3. Reducing Waste Does Not Necessarily Hurt Patient Outcomes

Another Harvard study looked at care for hospitalized patients and found that the cost-of-care by doctors within the same hospital system for the same types of patients varied by as much as 40% and patient outcomes were the SAME.<sup>3</sup>

For example, Dr. Smith may see a patient for a stomach ulcer and her care costs \$5,000 and Dr. Jones may see a very similar patient with a stomach ulcer and his care costs \$7,000.

The outcomes for their patients: exactly the same.

Why? Dr. Smith used fewer units of healthcare in treating the same condition.

Again, higher quality doctors leads to lower healthcare costs.

Healthcare quality is a complex topic and this blog post—or any blog post—cannot cover the topic in its entirety.

However, patient care variation is real and costly. Employers and employees can reduce that cost by seeking the highest quality doctors.



Sources:

1. <https://news.harvard.edu/gazette/story/2022/02/study-finds-significant-variations-in-care-between-physicians/>
2. <https://jamanetwork.com/journals/jama/article-abstract/2752664>
3. <https://hbr.org/2017/03/research-higher-u-s-physician-spending-doesnt-lead-to-better-patient-outcomes>



**About the Author:**

Dr. Eric Bricker is an internal medicine physician who graduated with Honors from the University of Illinois College of Medicine and completed his residency at Johns Hopkins Hospital in Baltimore. He is the former Co-Founder and Chief Medical Officer of Compass Professional Health Services. We are thrilled to have his industry expertise here at SimplePay to help us better serve our members and clients.

