

Hospitals That Accept Public Dollars Owe Public Accountability

Navin Ramesh

\$760 billion dollars. That's a conservative estimate from the NIH of how much capital was wasted by the US healthcare system in 2024.¹ To put that in perspective, if US healthcare waste were its own economy, it would have the 22nd largest GDP in the world. In this context, waste is qualified as expenditures that can be reduced or eliminated without adversely affecting the quality of care or health outcomes.

Within that staggering figure, up to \$265 billion (about 35%) is lost annually solely to administrative complexity: redundant billing systems, labyrinthine bureaucracy, and opaque claims processes that do not directly heal patients.¹ The resulting structure of healthcare necessitates larger numbers of clerical workers and managers, compounding spend in US hospitals, even in comparison to other Western nations.²

This isn't simply a hospital budgeting issue; it's a systemic opportunity that demands urgent attention. At a time when we debate how to fund coverage expansions, curb drug prices, or improve access to care in rural healthcare deserts, we're hemorrhaging billions through inefficiencies hidden in plain sight. Greater transparency in administrative spending would give us the ability to cut waste and make much-needed investments in innovation to stimulate systemic improvement of our healthcare system.

When waste occurs in fully private spheres between, for example, private hospitals and private insurers, it's unfortunate, but the cost is borne by private entities. Waste in hospitals that accept payment through Medicare and Medicaid, however, is a different case. There, taxpayer investments, and interests, are damaged. For that reason, *hospitals that receive public funds should be required to disclose the expenditure of those resources*. This simple act of transparency could help reduce waste, restore trust, and make our healthcare system more efficient.

Some transparency requirements do exist, but they are inadequate. For instance, Medicare-certified institutional providers must file annual cost reports that include utilization, cost and charge data by cost center. These data are technical and lagged. Although these data can be useful for researchers, they are not public-friendly and don't clearly tell the story of "where public dollars actually went."

When taxpayer dollars are on the line, transparency becomes a matter of public accountability. Administrative waste diverts billions of dollars away from direct patient services and strains both public and private budgets. Transparency is one of the most effective tools we have to reduce that waste. By making administrative spending visible and comparable, we can identify problems, standardize best practices, and ultimately drive more efficient allocation of resources across the US healthcare system.

Transparency in administrative spending isn't just a matter of financial oversight—it's a question of public trust. According to the Centers for Medicare & Medicaid Services, National Health Expenditures Accounts³, at least 46% of all US healthcare spending comes from federal, state, and local governments. Though we didn't necessarily ask for it, this effectively makes the American people shareholders in our healthcare system. Programs like Medicare and Medicaid are sustained by taxpayer contributions, yet we have minimal insight into how much of those funds are spent on administrative overhead, and whether those administrative functions truly add value to patient care. Without clear, standardized reporting on administrative costs, we deny the public the accountability that would be required in almost any other sector relying so heavily on public dollars. Transparency would allow for a more thorough assessment of where money is flowing.

Another consideration is the role administrative waste plays in driving the overall cost of care. Accounting for \$265 billion dollars of waste in our healthcare system each year, costs associated with administrative complexity alone are evidenced in higher premiums, limited provider networks, increased cost-sharing, and reduced access to services. Critical sources of waste include billing processes, inventory management and vendor contracting, and lack of care coordination. For health systems, this means less room for patient-focused investment.

Finally, transparency is one of our most powerful tools for actually reducing administrative waste. When organizations are required to report standardized data on their administrative spending, we gain the ability to compare, benchmark, and improve. Companies in all industries prioritize data collection to streamline operations and reduce redundancies. Transparency allows us to identify outliers and inefficiencies, share best practices, and hold both public and private institutions accountable for unnecessary overhead. If we wish to cut costs intelligently, first bringing actual waste to light is essential; when cutting costs, it's important to surgically target true sources of waste and continue to support systems that already work. In practice, transparency not only reveals waste, it also creates the conditions to eliminate it.

Critics of greater transparency in administrative spending might argue that exposing administrative cost structures could reveal proprietary strategies or invite burdensome oversight. From this perspective, mandating transparency might feel like an intrusion on market freedom. But the reality is that healthcare does not operate as a true free market. True prices are hidden and consumer choice is constrained by several factors, such as the complexities of cost-sharing,

private discounts and rebates between insurers, hospitals, and pharmaceutical or biotech companies, and bundled coverage. The goal is not to control the market, but to correct for the failures of the status quo and to ensure that what should be a marketplace for health does not become a marketplace for waste.

Value in reducing administrative costs has been recognized on both sides of the political aisle, and across disciplines. A recent example is Vermont's Healthcare 911 coalition, which involves lawmakers, hospital administrators, doctors, insurance providers, and community members.

The cost of healthcare has been on the rise, without an associated improvement in the quality of care. When the ultimate goal of health policy is to improve quality of life and healthcare in our nation, part of the solution must include reducing waste. The case for transparency in administrative costs is clear: it's about valuing public investment, confronting the true cost drivers in our system, and giving ourselves the tools to do better. We cannot afford to let billions slip through the cracks. Transparency is not just the best policy—it's the foundation for better public health.

About the Author

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Declaration of Conflicting Interests

The author has declared no potential conflicts of interest with respect to the research, authorship, or publication of this article.

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