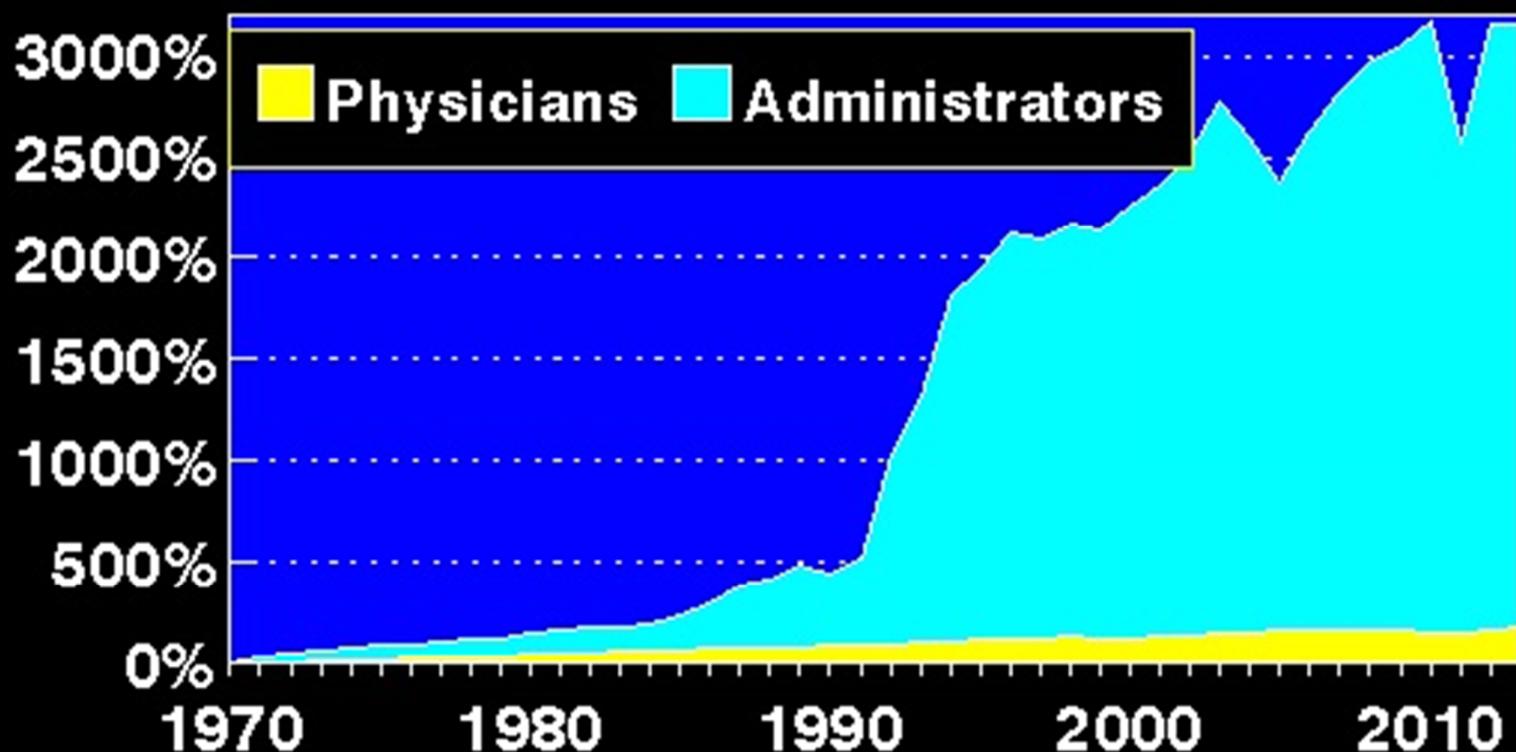


Growth of Physicians and Administrators 1970-2013

GROWTH SINCE 1970



Source: Bureau of Labor Statistics; NCHS; and Himmelstein/Woolhandler analysis of CPS

Administrative Cost in Health Care Compared with Other Economic Sectors

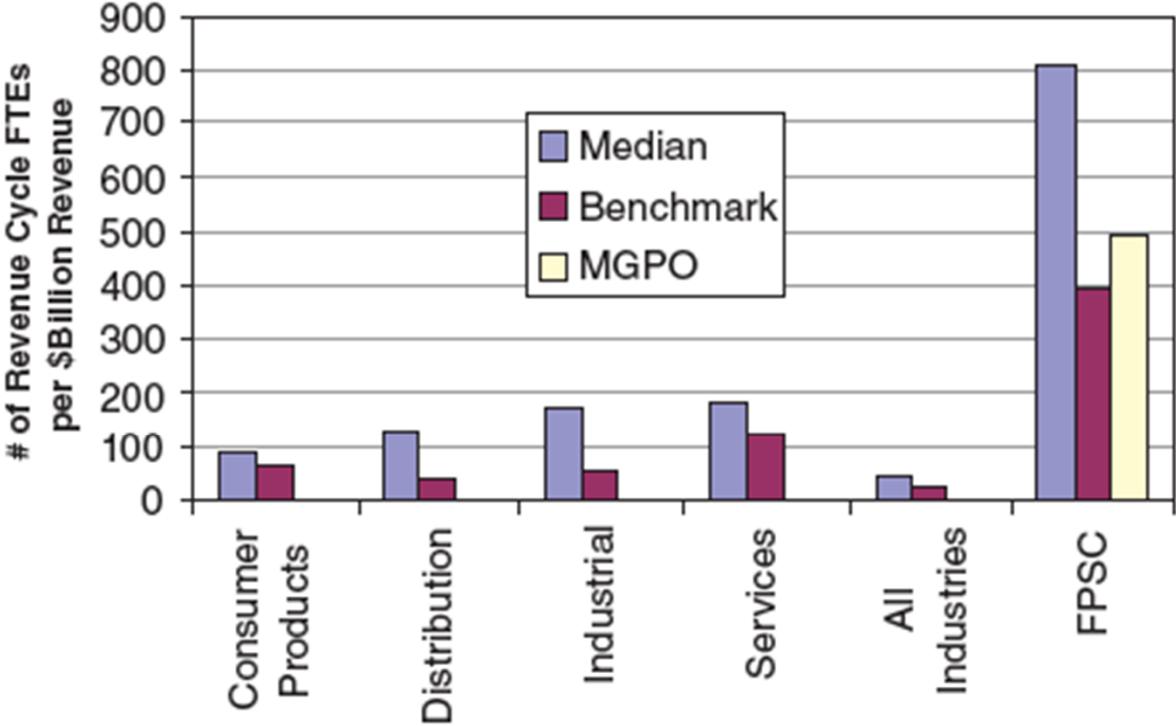
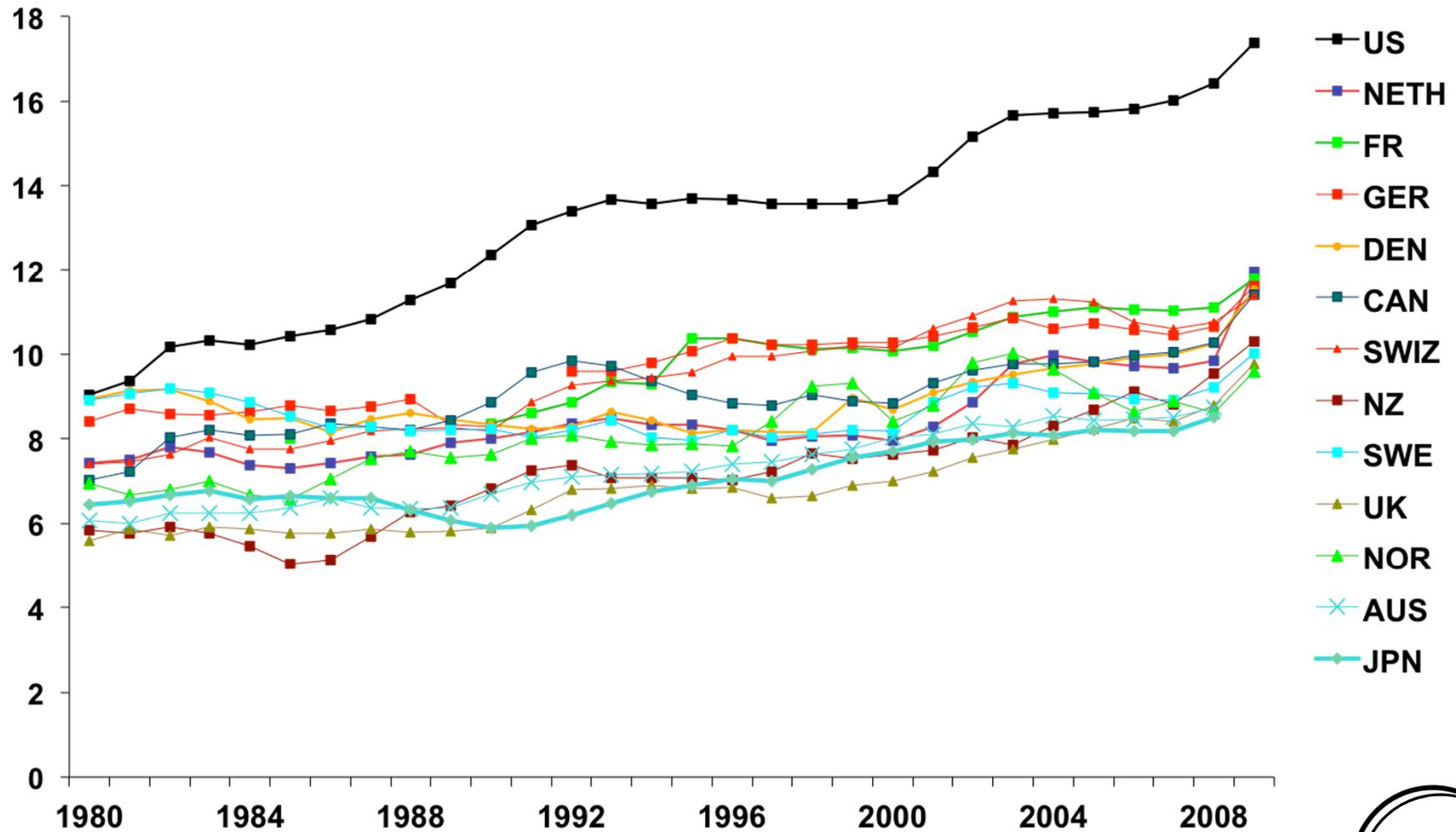


FIGURE 4-1 Physician billing staffing compared to other industries.
NOTE: FPSC = Faculty Practice Solution Center; FTE = full-time equivalent; MGPO = Massachusetts General Physicians Organization.



Health Care Spending as a Percentage of GDP, 1980–2009

Percent



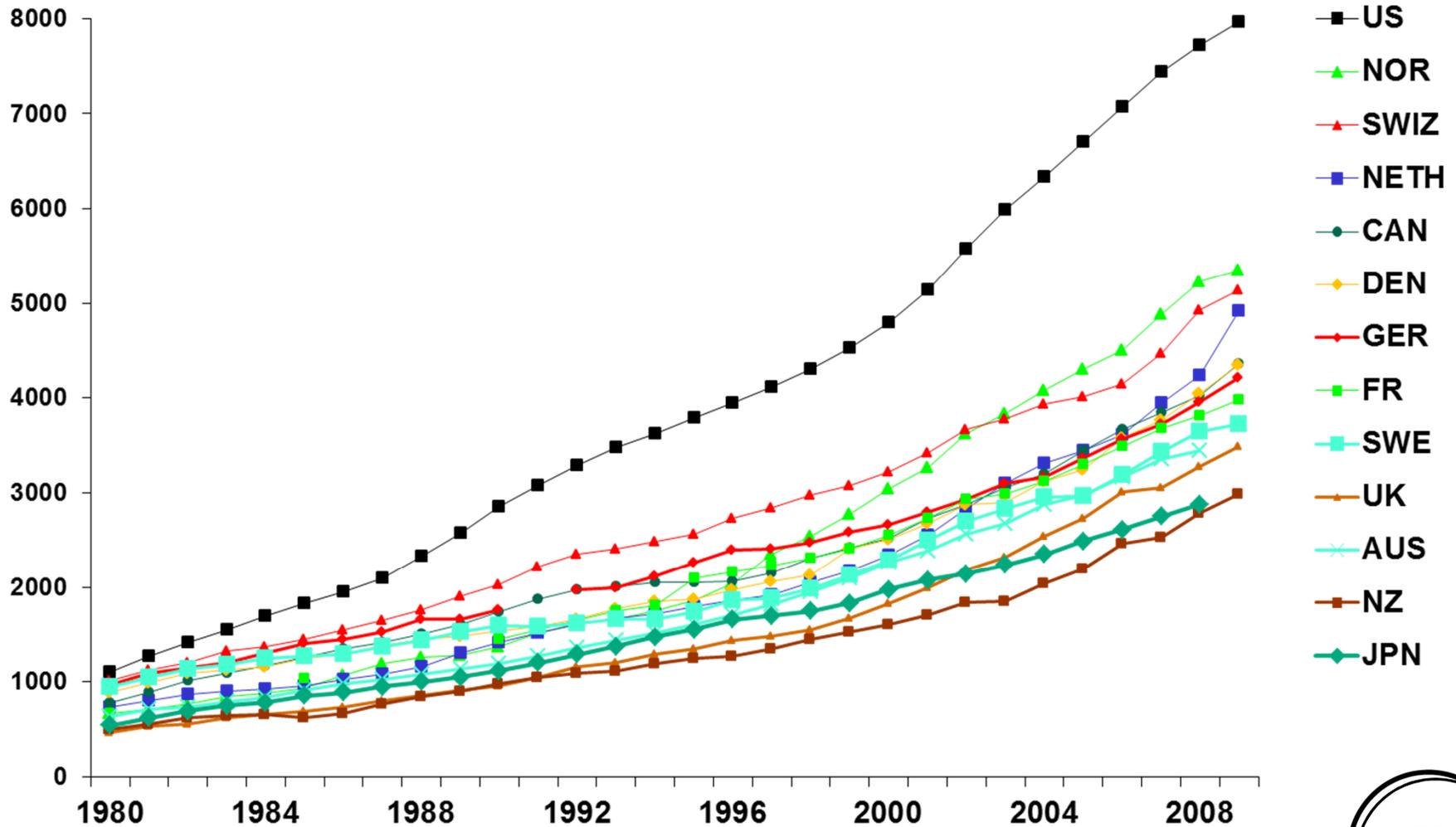
GDP refers to gross domestic product.
Source: OECD Health Data 2011 (June 2011).



Average Health Care Spending per Capita, 1980–2009

Adjusted for differences in cost of living

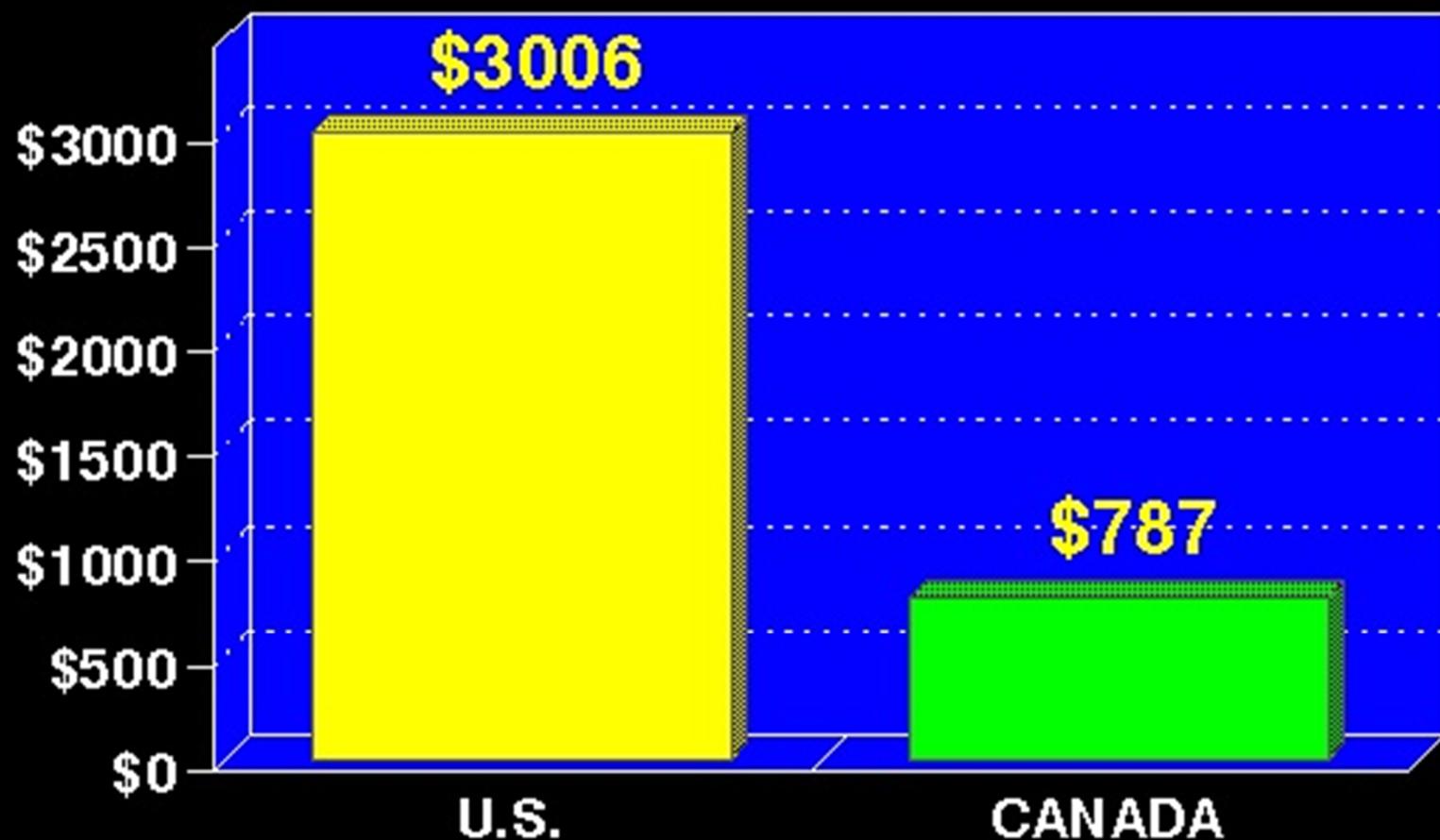
Dollars



Source: OECD Health Data 2011 (June 2011).

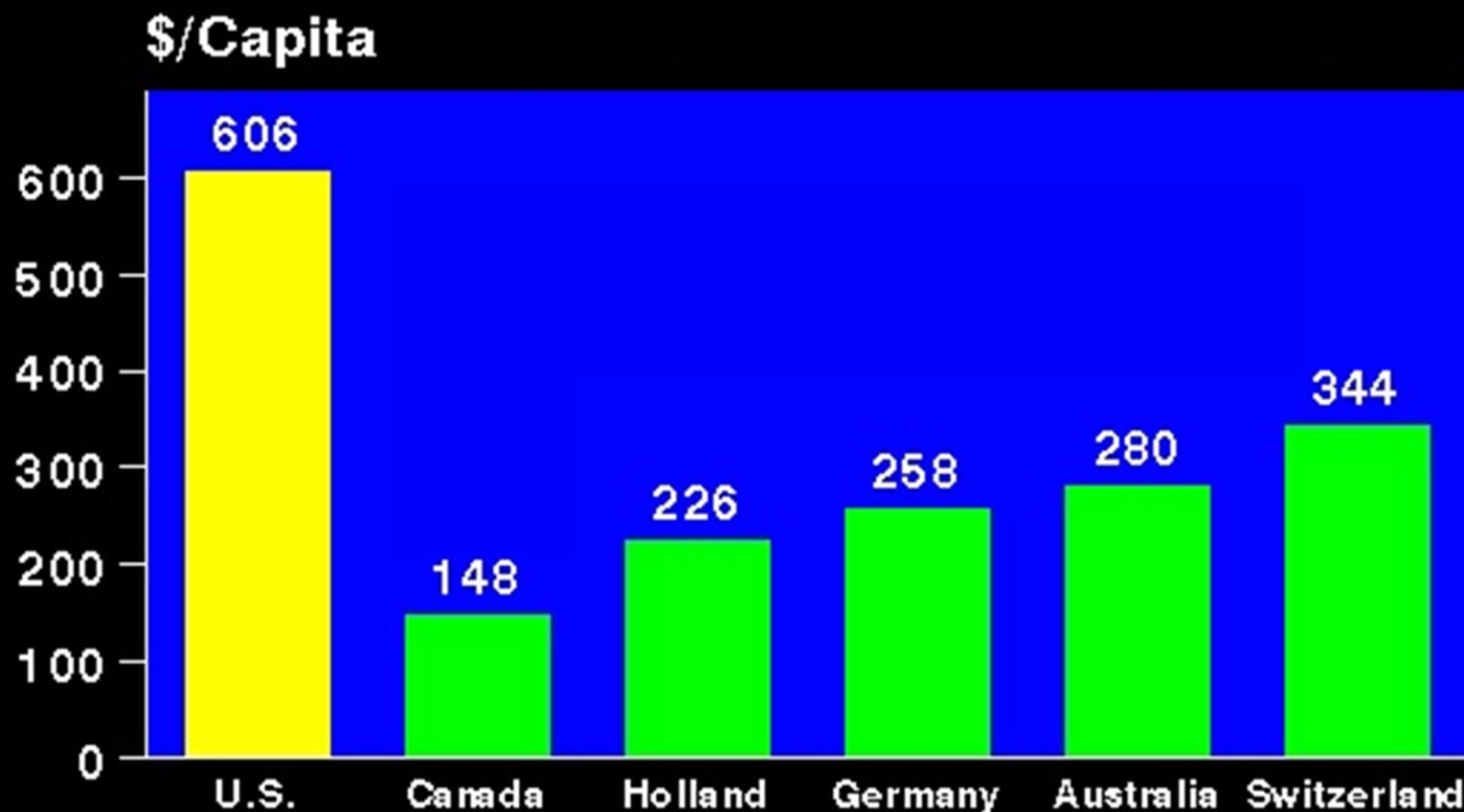


Overall Administrative Costs United States & Canada, 2014



Source: Woolhandler/Himmelstein/Campbell NEJM 2003; 349:768 (updated)

Insurance Overhead



Source: OECD, 2013

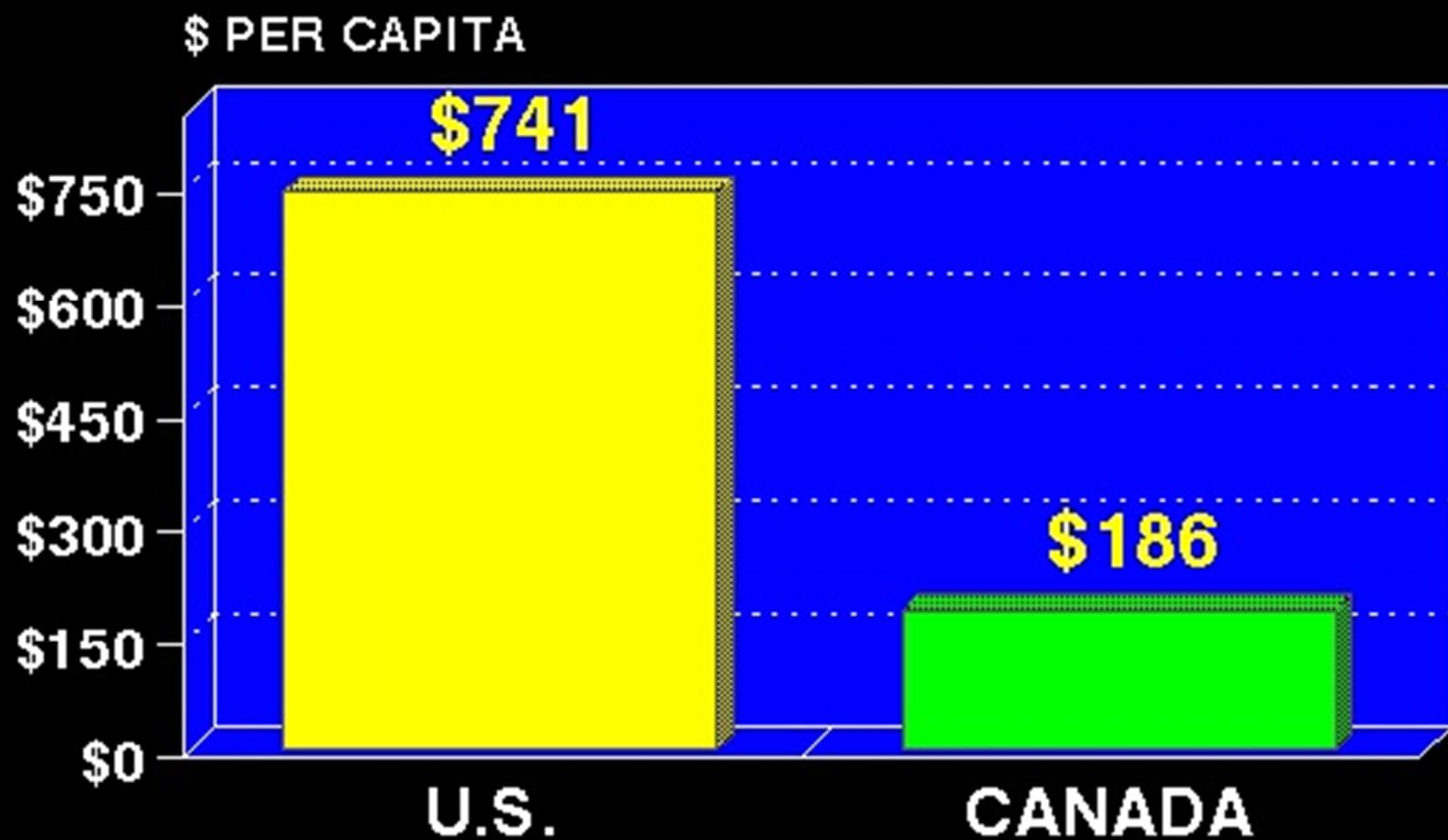
Note: Figures adjusted for Purchasing Power Parity; data are for 2011 or most recent available

Physicians' Billing & Office Expenses United States & Canada, 2014



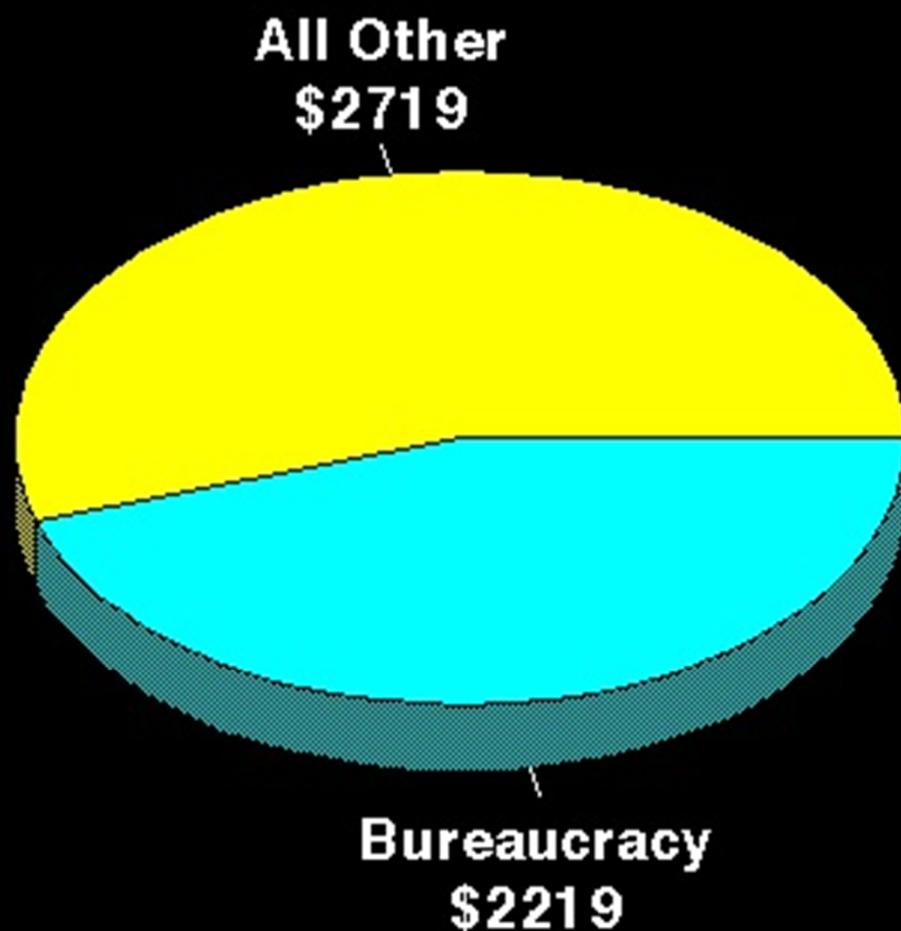
Source: Woolhandler/Himmelstein/Campbell NEJM 2003;349:768 (updated)

Hospital Billing & Administration United States & Canada, 2014



Source: Woolhandler/Himmelstein/Campbell NEJM 2003; 349:768 (updated)

Difference in Health Spending Per Capita, U.S. vs Canada, 2014

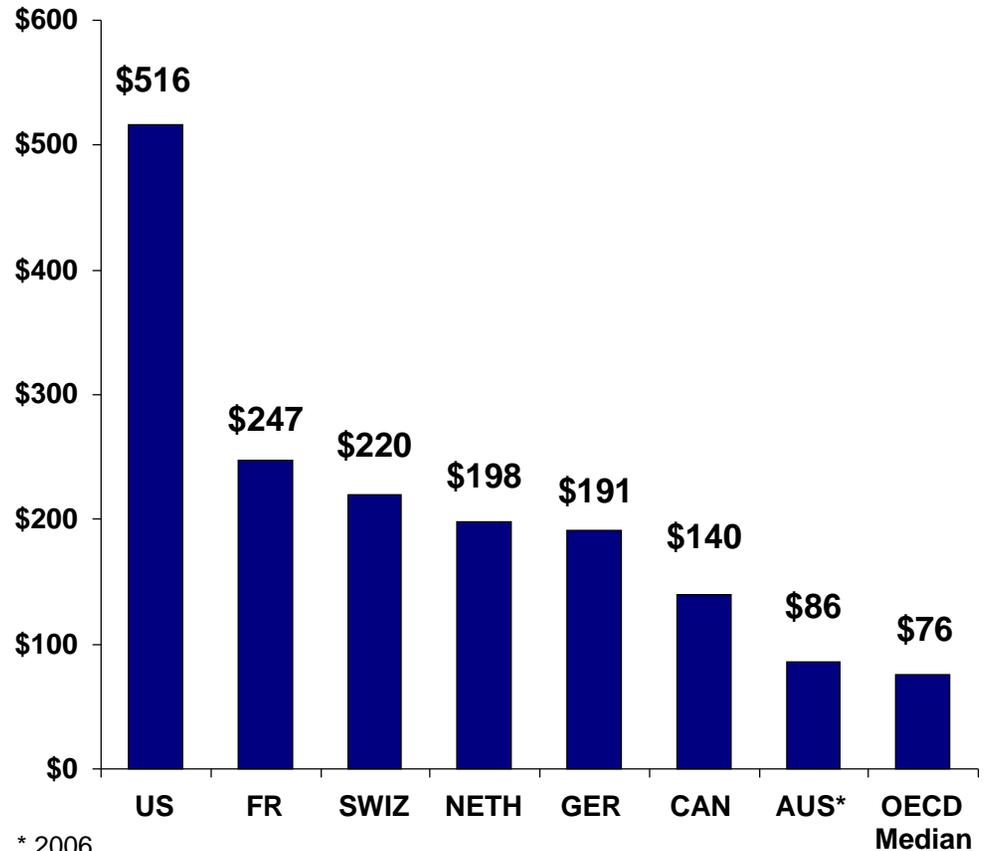


Source: Woolhandler/Himmelstein/Campbell NEJM 2003; 349:768 (Updated); NCHS & CIHI

High U.S. Insurance Overhead: Insurance-Related Administrative Costs

- **Fragmented payers + complexity = high transaction costs and overhead costs**
 - McKinsey estimates adds \$90 billion per year*
- **Insurance and providers**
 - Variation in benefits; lack of coherence in payment
 - Time and people expense for doctors/hospitals

Spending on Health Insurance Administration
per Capita, 2007



* 2006

Source: 2009 OECD Health Data (June 2009).

* McKinsey Global Institute, *Accounting for the Costs of U.S. Health Care: A New Look at Why Americans Spend More* (New York: McKinsey, Nov. 2008).



TABLE 4-1 Estimate of Billing and Insurance-Related (BIR) Costs in the U.S. Healthcare System in 2009

	Annual NHE (in billions)	Percentage for BIR Costs	Annual BIR Costs (in billions)
Physician care	\$539	13	\$70
Hospital	\$789	8.5	\$67
Subtotal			\$137
Other providers	\$771	10	\$77
Cumulative subtotal			\$214
Private insurers	\$854	12.3	\$105
Public programs	\$1,191	3.5	\$42
Cumulative total			\$361

NOTE: NHE = national health expenditure.

SOURCE: CMS, 2007.



TABLE 4-3 U.S. Physician Practices' Costs of Interacting with Health Plans (2009 dollars)

	Interacting with Health Plans		Interacting with Health Plans, Billing Traditional Medicare/ Medicaid and Obtaining Patient Appointments	
	Costs per Physician	National Costs (billions of dollars)	Costs per Physician	National Costs (billions of dollars)
Mean	\$72,036	\$33.2	\$88,855	\$40.8*
Median	\$53,856	\$24.9	\$66,641	\$30.6

*If overhead costs, costs for physicians and their staff not in office-based practice, and costs of the time spent by nurse practitioners and physician assistants are included; \$23.9 billion would be added to this \$40.8 billion, for a total cost of \$64.7 billion. See Addendum.



TABLE 4-2 Synthesis of Estimates from Presentations on Excess^a
Administrative Costs

Setting	Roundtable Presenter	Billing and Insurance-Related Administrative Costs		Method		
		Total	Excess*	Data Source(s)	Types of Costs Included	Basis for Estimating Excess
Private Insurers	Jensen	n/a	\$63 billion	OECD	All administration & profits	Comparison U.S vs. other OECD, adjusted for wealth
	Kahn	\$105 billion	\$75 billion	U.S. national health expenditures	All administration & profits	Difference in overhead for private vs. public payers
	Synthesis	\$105 billion	\$63-75 billion	See above	All administration & profits	Range from above
Physicians	Casalino	\$65 billion	\$32 billion	U.S. representative survey, applied to NHE	6 major activities. No service coding.	Ratio based on Canadian survey (preliminary, potentially conservative)
	Kahn	\$70 billion	n.s.	Two California studies, applied to NHE	All BIR tasks (with half of service coding), all payers & cost	None available
	Heffernan	n.s.	\$26 billion	Mass. General Phys. Org, applied to NHE	All BIR tasks, for private payers only, for 2009	Micro-costing of current private payers vs. Medicare
	Synthesis	\$65-70 billion	\$32-35 billion	As above	Similar to Kahn: all payers and BIR tasks	Use of Casalino preliminary ratio for physician practices



TABLE 4-2 Continued

Setting	Roundtable Presenter	Billing and Insurance- Related Administrative Costs		Method		
		Total	Excess ^a	Data Source(s)	Types of Costs Included	Basis for Estimating Excess
Hospitals	Kahn	\$67 billion	n.s.	One California study, applied to NHE	All BIR activities	None available
	Synthesis	\$67 billion	\$34 billion	As above	As above	Use of Casalino preliminary ratio for physician practices
Other providers	Kahn	\$77 billion	n.s.	NHE, with assumed BIR	Assumed 10% BIR, based on physicians and hospital data	None available
	Synthesis	\$77 billion	\$39 billion	As above	As above	Use of Casalino preliminary ratio for physician practices
TOTAL ^b			\$168- 183 billion			

NOTE: BIR = billing-and-insurance related; n/a = not applicable; NHE = national health expenditures; n.s. = not significant; OECD = Organisation for Economic Co-operation and Development.

^aBy “excess” we mean spending above the indicated benchmark comparison. We make no judgment on whether that excess spending brings value.

^bEstimates of provider BIR excess rely on the preliminary U.S.:Canada ratio used by Casalino for physicians. As this ratio is finalized, the estimates will evolve.



TABLE 4-2 Continued

Setting	Roundtable Presenter	Billing and Insurance- Related Administrative Costs		Method		
		Total	Excess ^a	Data Source(s)	Types of Costs Included	Basis for Estimating Excess
Hospitals	Kahn	\$67 billion	n.s.	One California study, applied to NHE	All BIR activities	None available
	Synthesis	\$67 billion	\$34 billion	As above	As above	Use of Casalino preliminary ratio for physician practices
Other providers	Kahn	\$77 billion	n.s.	NHE, with assumed BIR	Assumed 10% BIR, based on physicians and hospital data	None available
	Synthesis	\$77 billion	\$39 billion	As above	As above	Use of Casalino preliminary ratio for physician practices
TOTAL ^b			\$168- 183 billion			

NOTE: BIR = billing-and-insurance related; n/a = not applicable; NHE = national health expenditures; n.s. = not significant; OECD = Organisation for Economic Co-operation and Development.

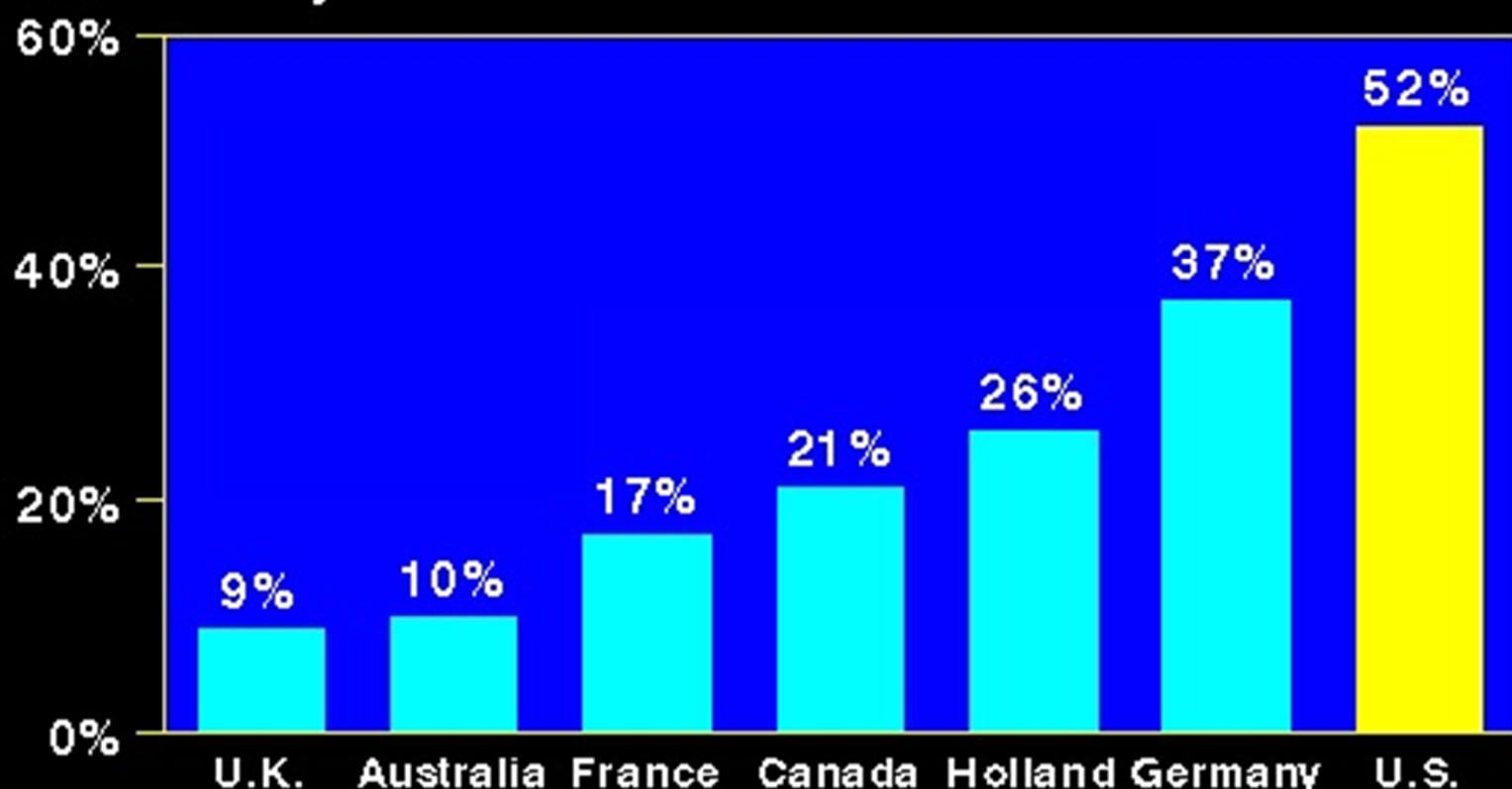
^aBy “excess” we mean spending above the indicated benchmark comparison. We make no judgment on whether that excess spending brings value.

^bEstimates of provider BIR excess rely on the preliminary U.S.:Canada ratio used by Casalino for physicians. As this ratio is finalized, the estimates will evolve.



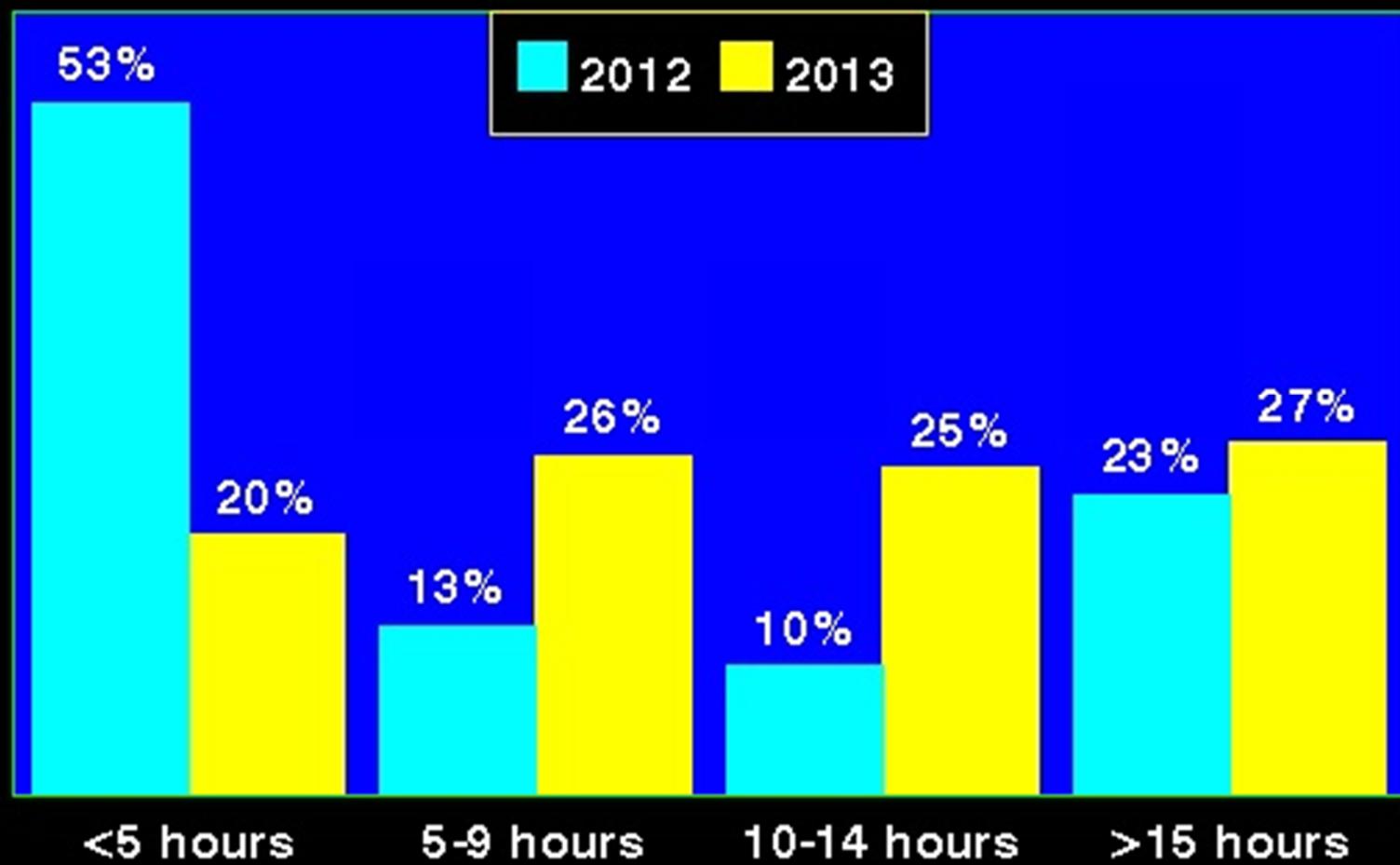
U.S. Doctors Face Biggest Rx Hassles

Percent of Primary Care Doctors Saying MD or Staff Time Getting Needed Rx Approvals is Major Problem



Source: Commonwealth Fund Survey of Primary Care Physicians, November, 2012
Note: Rx indicates prescribed drug or treatment

Doctors' Paperwork Increasing

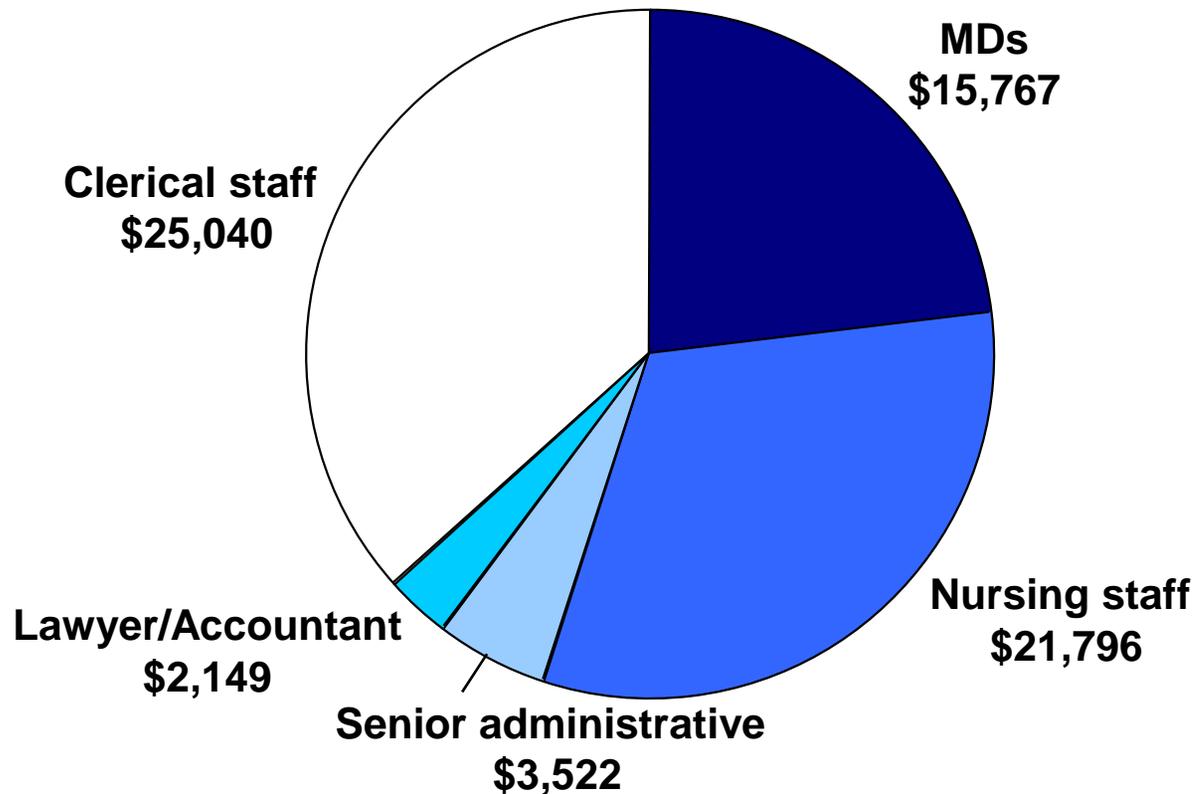


Hours/Week Spent on Paperwork and Administration

Source: Medscape - Physician Compensation Report

Total Annual Cost to U.S. Physician Practices for Interacting with Health Plans Is Estimated at \$31 Billion¹

Mean Dollar Value of Hours Spent per Physician per Year on All Interactions with Health Plans



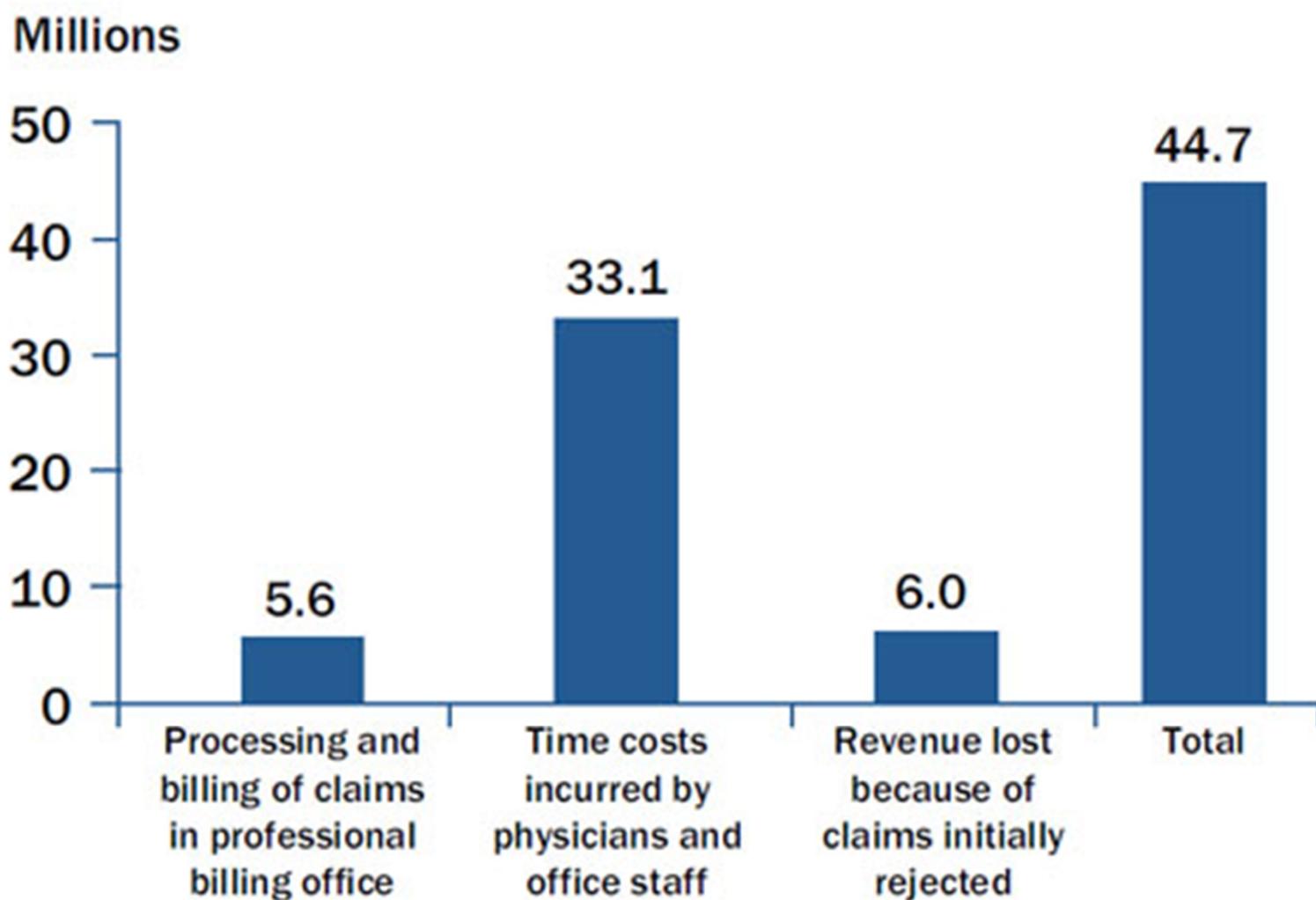
Total Annual per Practice Cost per Physician: \$68,274

¹ Based on an estimated 453,696 office-based physicians.

Source: L. P. Casalino, S. Nicholson, D. N. Gans et al., "What Does It Cost Physician Practices to Interact with Health Insurance Plans?" *Health Affairs* Web Exclusive, May 14, 2009, w533–w543.



Financial Cost of Administrative Complexity Burden in a Physician Organization



Source: Adapted from B. B. Blanchfield et al., "Saving Billions of Dollars—and Physicians' Time—by Streamlining Billing Practices," *Health Affairs* Web First, April 29, 2010.

State studies find as much as 25% waste compared with Canadian administration

Alternative Estimates of Single-Payer Savings on State Level

