

## References

1) “Saving billions of dollars--and physicians' time--by streamlining billing practices.”

[Health Aff \(Millwood\)](#). 2010 Jun;29(6):1248-54. doi: 10.1377/hlthaff.2009.0075. Epub 2010 Apr 29. [Blanchfield BB](#)<sup>1</sup>, [Heffernan JL](#), [Osgood B](#), [Sheehan RR](#), [Meyer GS](#).

### Abstract

The U.S. system of billing third parties for health care services is complex, expensive, and inefficient. Physicians end up using nearly 12 percent of their net patient service revenue to cover the costs of excessive administrative complexity. A single transparent set of payment rules for multiple payers, a single claim form, and standard rules of submission, among other innovations, would reduce the burden on the billing offices of physician organizations. On a national scale, our hypothetical modeling of these changes would translate into \$7 billion of savings annually for physician and clinical services. Four hours of professional time per physician and five hours of practice support staff time could be saved each week.

<http://content.healthaffairs.org/content/29/6/1248.full?ijkey=6N3yEPIJj9B4c&keytype=ref&siteid=healthaff>

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2) New England Journal of Medicine 349:8 August 2003

### “Costs of Health Care Administration in the United States and Canada”

Steffie Woolhandler, M.D., M.P.H., Terry Campbell, M.H.A., and David U. Himmelstein

#### ABSTRACT

In 1999, health administration costs totaled at least \$294.3 billion in the United States, or \$1,059 per capita, as compared with \$307 per capita in Canada. After exclusions, administration accounted for 31.0 percent of health care expenditures in the United States and 16.7 percent of health care expenditures in Canada. Canada’s national health insurance program had overhead of 1.3 percent; the overhead among Canada’s private insurers was higher than that in the United States (13.2 percent vs. 11.7 percent). Providers’ administrative costs were far lower in Canada.

Between 1969 and 1999, the share of the U.S. health care labor force accounted for by administrative workers grew from 18.2 percent to 27.3 percent. In Canada, it grew from 16.0 percent in 1971 to 19.1 percent in 1996. (Both nations’ figures exclude insurance-industry personnel)

<http://www.nejm.org/doi/full/10.1056/NEJMsa022033>

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3) *Health Aff August 2011*

**“US Physician Practices Versus Canadians: Spending Nearly Four Times As Much Money Interacting With Payers”**

**Abstract**

Physician practices, especially the small practices with just one or two physicians that are common in the United States, incur substantial costs in time and labor interacting with multiple insurance plans about claims, coverage, and billing for patient care and prescription drugs. We surveyed physicians and administrators in the province of Ontario, Canada, about time spent interacting with payers and compared the results with a national companion survey in the United States. We estimated physician practices in Ontario spent \$22,205 per physician per year interacting with Canada’s single-payer agency—just 27 percent of the \$82,975 per physician per year spent in the United States. US nursing staff, including medical assistants, spent 20.6 hours per physician per week interacting with health plans—nearly ten times that of their Ontario counterparts. If US physicians had administrative costs similar to those of Ontario physicians, the total savings would be approximately \$27.6 billion per year. The results support the opinion shared by many US health care leaders interviewed for this study that interactions between physician practices and health plans could be performed much more efficiently.

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**Institute of Medicine February 24, 2011**

The Healthcare Imperative: Lowering Costs and Improving Outcomes - Workshop Series Summary

<http://www.iom.edu/Reports/2011/The-Healthcare-Imperative-Lowering-Costs-and-Improving-Outcomes.aspx>

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4) The Hsiao Report

Act 128: Health System Reform Design Achieving Affordable Universal Health Care in Vermont  
February 17, 2011

[http://www.leg.state.vt.us/jfo/healthcare/FINAL%20REPORT%20Hsiao%20Final%20Report%20-%2017%20February%202011\\_3.pdf](http://www.leg.state.vt.us/jfo/healthcare/FINAL%20REPORT%20Hsiao%20Final%20Report%20-%2017%20February%202011_3.pdf)

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5) McKinsey Global Institute : Accounting for the Cost of Health Care: A New Look As to Why Americans Spend More. McKinsey 2008

The U.S. spent \$91 billion above expected compared with other nations on health care administration.

[http://www.mckinsey.com/insights/health\\_systems\\_and\\_services/accounting\\_for\\_the\\_cost\\_of\\_us\\_health\\_care](http://www.mckinsey.com/insights/health_systems_and_services/accounting_for_the_cost_of_us_health_care)

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**6) Costs and Implications of a Single Payer Healthcare Model for the State of Vermont, Kenneth Thorpe**, Prepared for: Vermont Commission on Health Care Reform August 29, 2006 (revised)

Net \$51 million in administrative savings after expanding coverage to the un and underinsured.

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7) \_ Himmelstein DU, Woolhandler S. Taking care of business: HMOs that spend more on administration deliver lower-quality care. *Int J Health Serv.* 2002;32(4):657-67

### **Abstract**

The authors analyzed health maintenance organizations' administrative costs and quality measures from the National Committee for Quality Assurance's Quality Compass database for the years 1997-2000. HMOs with higher administrative overhead had consistently worse quality scores in univariate analysis. Multivariate analyses controlling for geographic region (all years) and HMO model type (1997 and 1998 analyses only) confirmed that higher administrative costs were associated with lower quality. Excess HMO bureaucracy is not only wasteful but harmful.

<http://www.ncbi.nlm.nih.gov/pubmed/12456120>

8)

**Table 1. Administrative Costs by Function and Sector of the US Health Care System**

<b>Function/ component</b>	<b>Health insurance</b>	<b>Hospitals</b>	<b>Nursing homes</b>	<b>Physicians</b>	<b>Firms</b>	<b>Consumers/ individuals</b>
Transaction-related	Claims processing	Admitting, billing	Admitting, billing	Billing	Tracking employee hires/ terminations	Submitting claims
Benefits management	Statistical analyses, quality assistance [sic], plan design	Management information systems	Management information systems	Management information systems	Internal analyses	Tracking expenses eligible for reimbursement
Selling and marketing	Underwriting, risk/ premiums, advertising	Strategic planning, advertising	Strategic planning	Advertising	Flexible benefit programs	Search costs
Regulatory/ compliance	Premium taxes, reserve requirements	Waste management	Discharge planning	Licensing requirements	Filing summary plan descriptions, COBRA obligations	Mandated benefit laws

Source: Thorpe.

INSIDE THEBLACK BOX OFADMINISTRATIVE COSTS

by Kenneth E. Thorpe

<http://content.healthaffairs.org/content/11/2/41.full.pdf>