

findings brief

key findings

- Primary care physicians spent significantly more time on administrative tasks than did medical specialists or surgical specialists.
- All staff in physician practices with one or two physicians spent more time on administrative tasks than did physicians and staff in practices with more than 10 physicians.
- More than 75 percent of physicians and administrators reported that the administrative burden of interacting with a health plan increased significantly or increased slightly in the past two years.
- On average, physician practices spent \$68,274 per physician per year interacting with health plans. When this average is multiplied by the number of physicians practicing in the United States, the total cost of physicians' interactions with health plans is \$31.0 billion.

What Are the Costs to Physicians of Administrative Complexity in Their Interactions with Payers?

As health care costs continue to escalate, policymakers, experts, and researchers recognize that cost containment measures are essential for ensuring the sustainability of health reforms and the economic viability of the United States. Recent models predict that total health care spending as a portion of gross domestic product (GDP) will increase from 16.9 percent in 2008 to 17.3 percent in 2009.¹ Without efforts to constrain growing costs, the Centers for Medicare & Medicaid Services (CMS) estimates that total health care spending will account for 19.3 percent of GDP in 2019.²

The health reform bills passed in the U.S. Senate and House of Representatives—the Patient Protection and Affordable Care Act (H.R. 3590) and the Affordable Health Care for America Act (H.R. 3962), respectively—have come under criticism for their lack of focus on reducing health care costs.³ Both bills, however, include provisions that would require the secretary of the U.S. Department of Health and Human Services to standardize and simplify administrative transac-

tions between health plans and providers. Examples of such transactions include billing and claims processing, benefit eligibility verification, and prior authorizations. The Congressional Budget Office estimates that such provisions in the Senate bill could save the federal government approximately \$20 billion over the next decade, with savings accruing in the private insurance market as well.⁴

Physicians have expressed discontent with the amount of time they and their staff spend interacting with health insurance plans. Many physicians contract with several health insurance plans, which typically rely on different processes for dealing with claims, determining patient eligibility, and providing prior authorizations for services, among other administrative tasks. These tasks consume time that physicians could use to provide patient care. Thus, decreasing the amount of time physicians spend interacting with health plans may increase physician satisfaction as well as patient access to care.



Robert Wood Johnson Foundation

Changes in Health Care Financing and Organization is a national program of the Robert Wood Johnson Foundation administered by AcademyHealth.

Existing research has examined the administrative costs faced by physicians; however, the studies are outdated, focus on a narrow segment of the population, or suffer from methodological limitations. To inform policymakers’ understanding of the extent of the burden of physicians’ interactions with health plans, Lawrence Casalino, M.D., Ph.D., chief of the Division of Outcomes and Effectiveness Research at Weill Cornell Medical College and formerly of the University of Chicago, and colleagues conducted a national survey of physician practices to estimate both the time spent by physicians in interacting with health plans and the cost of the interactions. Casalino states that the objective of the study was to “provide the best estimate to date of the costs to physicians of administrative complexity in their interaction with payers.”

Study Design and Methodology

The researchers surveyed physicians and practice administrators about the time spent by physicians and practice staff in interacting with health plans on:

- Claims
- Contracting
- Credentialing
- Pharmaceutical formularies
- Prior authorization requirements
- Submission and review of quality data.

They designed three survey instruments to collect data from physicians, practice administrators, and physicians who serve as practice administrators. The survey designs drew on a literature review and interviews with physicians, practice administrators, and health plan executives. The physician survey asked physicians to estimate the amount of time they and nursing staff (registered nurses, medical assistants, and licensed practical nurses) who worked directly with them spent in interacting with health insurance plans on the tasks listed above and whether they believe that the amount of time spent on these

tasks increased in the past two years. The survey did not address interactions with traditional Medicare and Medicaid. Using the 2006 American Medical Association (AMA) Physician Masterfile, the researchers selected a random sample of 750 physicians from practices with one or two physicians and 560 physicians from practices with three or more physicians. The sample excluded physicians who worked for the federal government, a health maintenance organization (HMO), or an academic medical center or who delivered care primarily in hospital settings. Approximately 56 percent of the sample was primary care physicians; the remaining 44 percent was medical specialists or surgeons.

Using data from the Medical Group Management Association’s Universe national file, the researchers surveyed 629 practice administrators. The survey asked administrators to estimate the amount of time spent by nursing and clerical staff not assigned to an individual physician on practice-wide functions such as billing. Given that physicians in smaller practices often fulfill many of the same functions as practice administrators, the researchers created a physician-practice administrator survey for fielding to half of the physicians in one- to two-physician practices.

The researchers categorized physicians and practice administrators by specialty and practice size. They calculated the average number of hours spent by physicians and the time spent per physician by nurs-

ing and clerical staff by day, week, year, and type of interaction. The researchers assessed the dollar costs of the interactions by multiplying the average time spent by the hourly cost of time for each category of physician and staff.

Results

Time Spent by Practices Interacting with Health Plans

Approximately 57 percent of recipients responded to the surveys. Table 1 illustrates the average amount of time spent by practice staff on administrative tasks and the most time-intensive tasks.

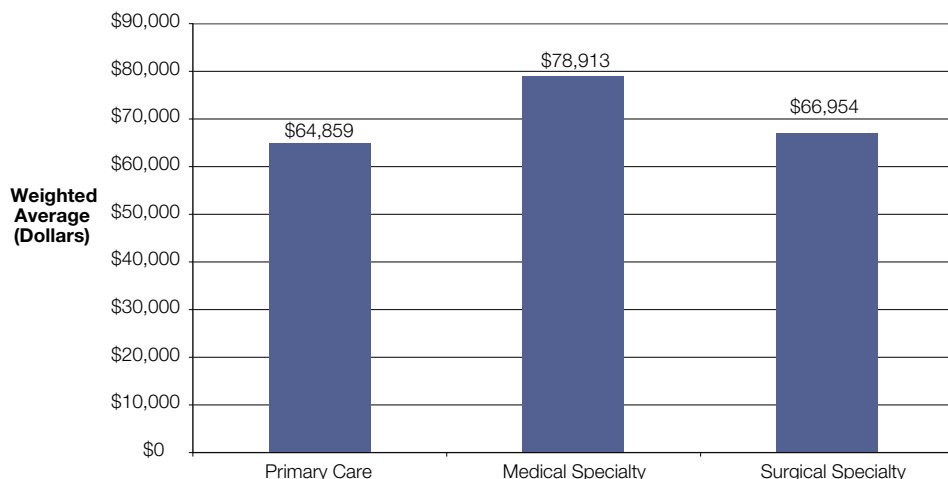
More than 75 percent of physicians and administrators reported that the administrative burden of interacting with a health plan increased significantly or increased slightly in the past two years. While the researchers found that primary care physicians spent significantly more time on administrative tasks than medical specialists or surgical specialists, they observed no significant difference between the amount of time spent by nursing and clerical staff across specialties. All staff, except nursing staff, in physician practices with one or two physicians spent more time on administrative tasks than physicians and staff in practices with more than 10 physicians.

Costs of Practices’ Interactions with Health Plans

The cost of interacting with health plans by physician specialty is depicted in Graph 1.

Table 1. Average Time Spent per Week by Practice Staff on Interactions with Health Plans and the Most Time-Intensive Tasks

Staff	Average Hours per Week on Interactions with Health Plans	Most Time-Intensive Task
Physician	3.0 hours	Formularies
Physician support staff	19.1 hours	Prior authorizations
Clerical staff	35.9 hours	Billing/claims processing

Graph 1. Average Practice Cost of Interacting with Health Plans by Specialty

On average, physician practices spent \$68,274 per physician per year interacting with health plans. When this average is multiplied by the number of physicians practicing in the United States, the cost of physicians' interactions with health plans totaled \$31.0 billion. The researchers found no significant difference between practice costs by practice size.

Discussion and Policy Implications

The amount of time spent by physicians and their staff in interacting with health plans affects both costs and the provision of patient care. The average cost of these interactions for primary care practices is equal to almost one-third of the average primary care physician's salary. Given that this survey does not account for health plan interaction-related equipment, office space, and nurse practitioner and physician assistant time spent in interacting with health plans, the estimates are conservative.

While the time and costs of interacting with health plans are substantial, many of the functions, such as formularies and pre-authorizations, were established to reduce overall costs by limiting unnecessary utilization of health care services. Therefore, not all physicians' interactions with health plans are necessarily wasteful. However, it is of great concern that physicians and their staff spend limited time on reporting or reviewing quality data. A challenge for policymakers will be to identify the tasks that do not add value and to implement mechanisms that decrease the amount of time spent on such tasks.

Casalino states, "We interviewed 27 health insurance plan and medical group leaders. All stated that physician-health insurance plan interactions could be structured much more efficiently than they are at present. The health care reform bills, the activities of the Healthcare Administrative Simplification Coalition (<http://www.simplifyhealthcare.org>),

and a recent report by the Institute of Medicine⁵ suggest that the problem is being recognized. It will be to everyone's benefit if interactions can be structured more efficiently."

Conclusion and Future Research

Standardizing and streamlining the administrative functions between providers and health plans may help decrease rising health care costs, improve access to physician care, and improve physician satisfaction. Future research is needed to explore innovative administrative processes and policies that decrease the amount of time and money spent in interacting with health plans.

For more information:

For more information, please contact Lawrence P. Casalino, M.D., Ph.D., at lac2021@med.cornell.edu.

About the author:

Jenny Minott is an associate with the HCFO Initiative. She can be reached at (202) 292.6700 or jenny.minott@academyhealth.org.

Endnotes

- 1 Truffer, C.J. et al. "Health Spending Projections through 2019: The Recession's Impact Continues," *Health Affairs*, Web Exclusive, February 4, 2010.
- 2 Ibid.
- 3 Murray, S. "White House Says Health-Care Bills Contain Cost-Cutting Remedies," *Washington Post*, November 29, 2009.
- 4 Congressional Budget Office, Letter to the Honorable Harry Reid, November 18, 2009.
- 5 Young, P.L. and L. Olsen. "The Healthcare Imperative: Lowering Costs and Improving Outcomes: Brief Summary of a Workshop." Roundtable on Evidence-Based Medicine. Institute of Medicine. Washington, D.C., National Academies Press, 2009.