

# Can administrative costs in U.S. health care be rapidly reduced?

Lawrence Casalino MD, Ph.D.

Livingston Farrand Professor of Public Health

Chief, Division of Outcomes and Effectiveness Research

Weill Cornell Medical College

Institute of Medicine

Washington, DC

November 4, 2013

# Based on

- 52 interviews
- all-day stakeholder meeting (22 attendees)
- opinions are ours . . .

## with help from:

- Curtis Cole MD\*
- Adam Cheriff MD
- Jayme Mendelsohn MPH
- Lisa Kern MD
- Rainu Kaushal MD, MPH
- the Robert Wood Johnson Foundation
- \* team all at Weill Cornell Medical College

*“We take about 75,000 physician phone calls per day. About half are eligibility related. If we were to get every transaction that we could electronically . . . we would solve approximately 71-72% of the issues.”*

*- a health plan executive*

# What is the ultimate goal? End-to-end transparency

End-to-end interoperability: to move  
from:

- checking and confirming patient eligibility to
- requesting and receiving prior authorization to
- claims submission and payment

seamlessly, in real time, via automated  
electronic transactions that rarely need to be  
touched by human hands.

# What to do?

- If things go on as they are, will there be a major reduction in administrative costs and burden in, say, six years?
- If not, what time frame is acceptable?
- If not, what is the alternative?

# Why isn't progress faster?

- health care involves a tremendous variety of transactions – NOT like banking
- multiple voluntary stakeholder groups involved in creating standards and operating rules
- providers are not mandated to interact electronically with health plans
- providers are overwhelmed (including with meaningful use)
- excessive customization
- slow process for creating federal final rules
- inadequate funding of organizations that create standards and operating rules

# What is lacking?

- a road map for reaching the ultimate goal
- an entity to serve as
  - convenor
  - coordinator
  - regulator
  - ? giver of incentives
- this entity would be responsible for seeing that a road map is created and that rapid progress toward the ultimate goal is made



## Is reduction of administrative costs a public good?

“Industry by itself did not implement changes related to administrative simplification. It took the federal government to make industry really move to the next level.”

- a private sector leader

## Is reduction of administrative costs a public good?

- complicated coordination problems
- very large number of players
- all players would benefit from a reduction in administrative costs
- the market, alone, does not appear to have the capability of supplying the good (admin cost reduction)

Should a federal entity be given the responsibility  
for rapidly moving the U.S. toward the ultimate  
goal?

# What would this entity do?

Bring stakeholders together to rapidly create a roadmap to administrative simplification that would specify:

- the ultimate goals
- the routes for reaching them
- the pace of change
- the priorities for the near future
- how various efforts should interact with each other.

# Specific action 1:

- Simplify and accelerate the processes for creating and updating standards and operating rules for electronic transactions
- If necessary, the federal leadership office should provide adequate funding, via formal contracts, for the non-profit organizations developing standards and operating rules.
  - it makes little sense for an industry that accounts for one-sixth of the U.S. economy to rely on inadequately funded organizations.

## Specific action #2:

- Minimize the likelihood of unintended consequences by requiring organizations that create standards and operating rules to conduct formal pilot testing.

## Specific action #3

- Enforce compliance with standards and operating rules once they have been adopted

## Specific action #4

- Require that practice management systems comply with standards and operating rules



## Specific action #5

- Work with the federal meaningful use program to encourage integration of electronic health records and practice management systems

## Specific action #6

- Take actions to move physicians more rapidly toward using electronic interactions with health plans
  - ? as part of the meaningful use program

# Alternatives for the IOM?

- Accept indefinite delay in reduction of administrative costs?
- Advocate for creation of a federal convenor, coordinator, regulator?
- Propose some alternative to a federal entity?