Vol. , Issue Tuesday, August 9, 2022

AHA: Insurer Policies Compromise Patient Safety and Raise Costs

The American Hospital Association (AHA) is calling for action to stop health insurer practices that add billions of dollars in unnecessary administrative cost to the health care system while compromising patient care. In a new report, AHA says that massive administrative costs for health care providers are due to burdensome insurer practices that add costs but that are "unnecessary at best and harmful to patient health and workforce well-being at worst."

The AHA report says that several insurer policies that delay or deny care including prior authorizations, overly stringent medical necessity reviews, and white bagging contribute to clinician burnout, impede patient care, and compromise patient safety. The report notes that one large national hospital system spends $15 million per month on administrative costs associated with insurer prior authorization changes. In Wisconsin, Dr. Alan Kaplan and Abigail Abwongwa from UW Health recently wrote an article highlighting the burden of waste in prior authorization processes. UW Health estimated that it spent $18.2 million in 2019 managing prior authorizations, with 65 FTE dedicated to handling these processes.

AHA says that the added administrative costs of these policies are contributing to unsustainable health care cost growth. While hospital prices have grown an average of 2.1% per year over the last decade, the average family insurance premium has grown at nearly twice that rate, increasing 47% since 2011 – faster than general inflation and faster than any other part of the health care system.

And while only 15 to 20% of the premium is supposed to be spent on insurer administration and profit under the medical loss ratio requirements of the Affordable Care Act, the AHA report highlights that certain insurer practices – such as passing transaction fees onto providers – can help insurers circumvent these requirements. By passing administrative costs onto providers through the provider reimbursement, insurers can count those costs as medical spending, not administrative, leaving more room for insurer profit.

The report also sheds light on the complex financial and business interests of insurers which can result in incentives that benefit the insurer at the expense of patients and providers. Examples include UnitedHealth Group's planned acquisition of Change Healthcare, which the report says raises concerns about conflict of interest when one part of a company can unduly influence the clinical standards that benefit another part of the company.

AHA recommends taking action to streamline, standardize, eliminate or reform commercial health insurance administrative practices in order to reduce unnecessary services, improve patient care and outcomes, and reduce health system costs. Ultimately they say, "commercial health plan abuses must be addressed to protect patients' health and ensure that medical professionals, not the insurance industry, are making the key decisions in patient care."

Other Articles in this Issue

- Legislative Council Study Committee on Occupational Licenses Holds First Hearing
- AHA: Insurer Policies Compromise Patient Safety and Raise Costs