

# **Why Investment in Solutions to the Systemic Causes Of Rising Health Care Costs is Critical.**

## **Addressing Health Care's Administrative Cost Crisis**

- Brooke Istvan, MBA; Kevin A. Schulman, MD; Stefanos Zenios, PhD, *JAMA Viewpoint*, January 15, 2025.

What has been largely missing from the national discussion is a recognition of the administrative cost crisis—the US spends approximately 10 times more on average than any other OCED country on health care administrative expenses. It is estimated that two-thirds of these costs are related to transactions or billing costs and insurance-related costs.

## **Why Health Care Coverage Costs More in America**

- Ken Alltucker, *Las Cruces Sun-News - USA Today*, 12/22/24

'We spend more on administrative costs than we do on caring for heart disease and caring for cancer,' said Harvard University economist David Cutler. 'It's just an absurd amount.'

## **A Portrait of the Failing US Health System: Comparing Performance in 10 Nations,**

- David Blumental, Evan D. Gumas and Arnavshahn, *Mirror, Mirror 2024*, The Commonwealth Fund, September 2024, p. 9

In the uniquely complex U.S. system of public and private payers — featuring thousands of health plans, each with its own cost-sharing requirements and coverage limitations — physicians and other health care providers spend enormous amounts of time and effort billing insurers. Denials of services by insurance companies are also common, necessitating burdensome appeals by providers and patients.

## **High U.S. Health Care Spending: Where Is It All Going?**

- Ani Turner, George Miller, Elise Lowryn, The Commonwealth Fund Issue Brief, October 4, 2023, Key findings and Conclusions, p. 1

Reductions in administrative burdens and drug costs could substantially reduce the difference between U.S. and peer nation health spending.

## Addressing Key Systemic Drivers of Rising Health Care Costs

*All countries that have guaranteed universal coverage – even those with small populations – have developed policies that not only result in lower per capita spending but also produce better health outcomes than the United States.*

*To address each cost driver, there are multiple systemic solutions, which are interconnected to each other. Some policies – like global budgets – will take time to develop. Others, like joining the Washington/Oregon drug purchasing consortium, could occur more quickly. State funding is needed so the Legislative Health and Human Services can continue to develop solutions that will result not only in lower costs but better care.*

Cost Drivers		Possible Policy Solutions
1	Rising hospital costs	<p><b>Global budgets</b></p> <ul style="list-style-type: none"> <li>• Provide a predictable revenue source for a health facility's annual budget</li> </ul> <p><b>Other strategies</b></p> <ul style="list-style-type: none"> <li>• Create hospital networks to share resources</li> <li>• Strengthen state oversight and enforcement over consolidations impacting health services, costs and quality</li> <li>• Address unregulated private equity-control over health services</li> <li>• Hold nonprofit hospitals accountable for tax benefits received</li> <li>* Develop hospital board governance standards to ensure community representation and control</li> </ul>
2	Complex and costly health professional payment and administrative systems, creating stress, burnout and ethical issues.	<p><b>Standardize health professional payment and accountability systems</b></p> <p><b>Other strategies</b></p> <ul style="list-style-type: none"> <li>• Prior authorization prohibitions</li> <li>• Simplify and standardize claims processing and documentation requirements</li> <li>• Whistleblower protections</li> <li>• Prohibition of gag and non-compete provisions</li> <li>• Ensure that medical decisions are made by licensed health professionals, not corporations</li> </ul>
3	Out-of-control drug prices	<ul style="list-style-type: none"> <li>• <b>Create an authority to negotiate lower drug prices</b> and that requires transparent drug pricing information, including research and development costs</li> <li>• <b>Join an existing</b> drug purchasing consortium with other states. (Oregon and Washington have created one that now includes Nevada, Illinois and Connecticut)</li> </ul> <p><b>Other strategies</b></p> <ul style="list-style-type: none"> <li>• Establish minimal pharmacy staffing requirements at drugstore chains</li> <li>• Prohibit prescription quotas at drugstore chains</li> </ul>
4	IT systems that don't talk to each other	<p><b>Develop a secure and interoperable IT system</b> that maintains confidentiality and gives providers the medical information they need about their patients, regardless of who provides the insurance coverage</p>
5	Hundreds of policies with different rules and services	<ul style="list-style-type: none"> <li>• <b>Explore</b> how to develop and require a standardized list of health services and rules that apply to all payers.</li> <li>• <b>Create</b> one public plan that covers almost all residents</li> </ul>