New AMA Study: Patients Responsible for Nearly One-quarter of the Medical Bill

AMA introduces new index that ranks health insurers by administrative burden

CHICAGO - June 17, 2013 - Patients are responsible for nearly one-quarter of the medical bill, according to the findings released today from the AMA's sixth annual check-up of health insurers and their patterns for processing and paying medical claims.

For the first time, the AMA's National Health Insurer Report Card (http://media.ne.cision.com/l/lcjrwrlm/www.ama-assn.org/resources/doc/psa/2013-nhirc-comparison.pdf) examined the portion of health care expenses that patients are responsible for through copays, deductibles and coinsurance. During Feb. and March of this year, patients paid an average 23.6 percent of the amount that health insurers set for paying physicians.

"Physicians want to provide patients with their individual out-of-pocket costs, but must work through a maze of complex insurer rules to find useful information," said AMA Board Member Barbara L. McAneny, M.D. "The AMA is calling on insurers to provide physicians with better tools that can automatically determine a patient's payment responsibility prior to treatment."

The National Health Insurer Report Card is the cornerstone of the AMA's Heal the Claims Process ™ campaign (http://media.ne.cision.com/l/lcjrwrlm/www.ama-assn.org/ama/pub/physician-resources/practice-management-center/practice-operations/automating-the-practice/heal-the-claims.page?WT.mc_id=NHIRCPR201206&WT.mc_ev=Click). Launched in June 2008, the campaign's goal is to lead the charge against administrative waste by improving the health care billing and payment system.

Administrative Burden Index

The AMA today also unveiled its new Administrative Burden Index (ABI) (http://media.ne.cision.com/l/lcjrwrlm/www.ama-assn.org/resources/doc/psa/2013-abi.pdf) to rank commercial health insurers according to the level of unnecessary cost they contribute to the billing and payment of medical claims. The AMA found that administrative tasks associated with avoidable errors, inefficiency and waste in the medical claims process resulted in an average ABI cost per claim of $2.36 for physicians and insurers. Cigna (CI) had the best ABI cost per claim of $1.25, or 47 percent below the commercial insurer average. HCSC had the worst ABI cost per claim of $3.32, or 41 percent above the commercial insurer average.

The AMA estimates that $12 billion a year could be saved if insurers eliminated unnecessary administrative tasks with automated systems for processing and paying medical claims. This savings represents 21 percent of total administrative costs that physicians spend to ensure accurate payments from insurers.

"The high administrative costs associated with the burdens of processing medical claims annually should not be accepted as the price of doing business with health insurers," said Dr. McAneny. "The AMA is a strong advocate of an automated approach for processing medical claims that will save precious health care dollars and free physicians from needless administrative tasks that take time away from patient care."

Other Key Findings

Since 2008, the AMA's National Health Insurer Report Card has examined the claims processing performance of the nation's largest health insurers and provided an objective and reliable gauge of denials, timeliness, accuracy, and transparency. Key findings from six years of data generated by the report card include:

Accuracy: Error rates for commercial health insurers on paid medical claims have dropped significantly from nearly 20 percent in 2010 to 7.1 percent in 2013. While dramatic improvements have been made in accuracy during the last three years, the AMA estimates that more than $43 billion could have been saved if commercial insurers consistently paid claims correctly since 2010. UnitedHealthcare (UHC) led commercial health insurers with an accuracy rating of 97.52 percent. Regence trailed all insurers with an accuracy rating of 85.03 percent. Medicare led all insurers with an accuracy rating of 98.10 percent.

Denials. Medical claim denials dropped 47 percent in 2013 after a sharp spike in 2012 among most commercial health insurers. The overall denial rate for commercial health insurers went from 3.48 percent in 2012 to 1.82 percent in 2013. Among all insurers this year, Cigna (CI) had the lowest denial rate at .54 percent, while Medicare had the highest denial rate at 4.92 percent.

Timeliness. Health insurers have improved response times to medical claims by 17 percent from 2008 to 2013. Humana (HUM) had the fastest median response time of six days, while Aetna (AET) was the slowest with a median response time of 14 days. Medicare's median response time of 14 days has gone unchanged since 2008.

Transparency. Health insurers have improved the transparency of rules used to edit medical claims by 37 percent from 2008 to 2013. Reducing the use of undisclosed payer-specific edits unlocks the flow of transparent information to physicians and reduces the administrative costs of reconciling medical claims.

To learn more about Heal the Claims Process™ campaign, including the National Health Insurer Report Card and the new Administrative Burden Index, please visit the AMA website at www.ama-assn.org/go/reportcard.

# # #

Editor's Note: The findings from the 2013 National Health Insurer Report Card are based on a random sampling of approximately 2.6 million electronic claims for approximately 4.7 million medical services submitted in February and March of 2013 to Aetna, Anthem Blue Cross Blue Shield, Cigna, Health Care Service Corporation, Humana, Regence, UnitedHealthcare and Medicare. Claims were accumulated from more than 450 physician practices in 80 medical specialties providing care in 41 states.

Media Contact:
Robert J. Mills
AMA Media Relations

(312) 464-5970
robert.mills@ama-assn.org

About the American Medical Association (AMA)
The AMA, headquartered in Chicago, is committed to enabling a better health care system for patients and physicians to improve the health of the nation. Through its broad reach and deep relationships, the AMA is initiating partnerships to advance results-focused endeavors that improve public health, improve medical education and improve physician practice sustainability and satisfaction. Visit ama-assn.org to learn more about the AMA.