

\$230 billion spent on insurance paperwork

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Billing and insurance paperwork consume at least one out of every five dollars of private insurance health spending in California, a study finds.

The findings suggest that about \$230 billion in healthcare spending nationally is devoted to insurance administration, according to study leader Dr. James G. Kahn, of the University of California, San Francisco.

"Over the last decade, administrative costs have accounted for 25 percent of health care spending," said Kahn. "Little has been known, however, about the portion attributable to billing and insurance-related functions."

Kahn analyzed data from private insurers, physician offices and hospitals and focused on spending in doctor's offices and hospitals, which represent 80 percent of all privately insured health spending.

He found private insurers use about 10 percent of premiums for billing, marketing, financial activities and profit; while physician offices spent 14 percent of their income on insurance paperwork and hospitals spend 9 percent on insurance paperwork.

The findings appear in Health Affairs.

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