

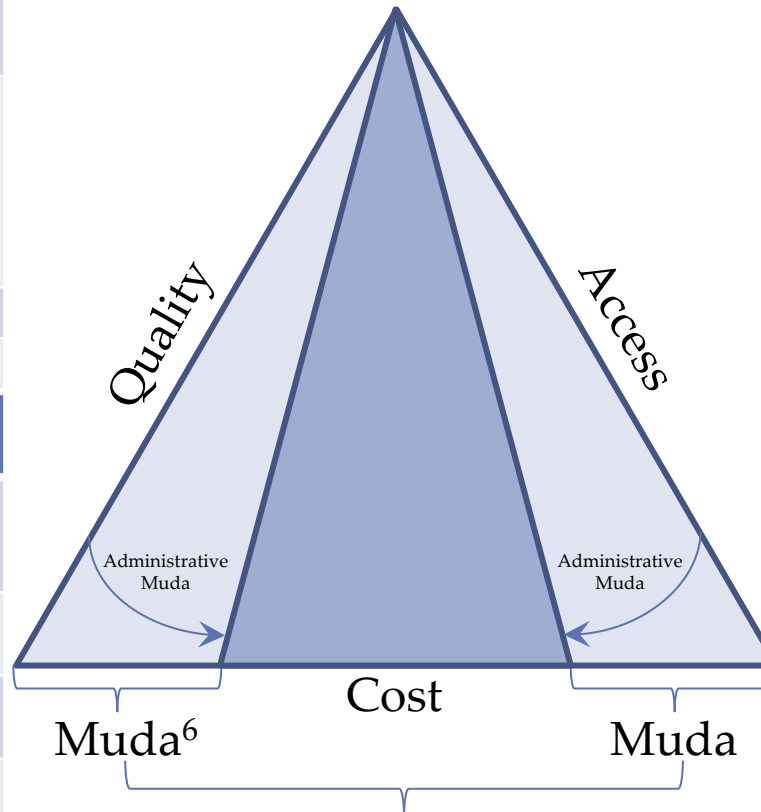
# ADMINISTRATIVE COMPLEXITY AND WASTE IN US HEALTHCARE

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## Kissick's Iron Triangle

(Kissick, 1994)



### Administrative Complexity & Muda

- Admin complexity defined as waste resulting from imprudent processes<sup>3</sup>
- 34% of healthcare expenditure is waste<sup>3</sup>
- 50% of Administrative Costs are waste<sup>4</sup>
- 31% of total waste is admin complexity (up to \$389 billion / year)<sup>3</sup>
- \$183 billion per year in Billing & Insurance-Related (BIR) waste<sup>5</sup>

### Admin Hours per Week per Physician<sup>2</sup>

- Physicians: 3 hours per week
- Nursing Staff: 19.1 hours per week
- Clerical Staff: 35.9 per week

### Admin Hours per Week by Specialty<sup>2</sup>

- Primary Care: 3.5 hours per week
- Specialists: 2.6 hours per week
- Surgeons: 2.1 hours per week

Note: Admin hours reported in mean hours<sup>7</sup>

### Administrative Costs

- Interactions between providers and insurance is a major cost (\$31 billion)<sup>1</sup>
- Interactions include gaining prior authorization, working with formularies for medication, processing insurance claims, maintaining their credentials and contracting prices with a multitude of insurers.<sup>2</sup> High degree of variance.
- **\$68,274 per physician per year<sup>2</sup>**
- **Value added to quality of care ?**

### Administrative Costs Single-payer vs. Multi-payer System

- Lower interaction variance in Single-payer system, such as National Health Insurance in Canada<sup>1</sup>
- US spends \$82,975 per physician per year, other overhead costs considered<sup>1</sup>
- Canada spends \$22,205 per physician per year<sup>1</sup>
- **Δ \$60,000 per year per physician**

**T**  
Transportation

**I**  
Inventory

**M**  
Motion

**W**  
Waiting

**O**  
Overproduction

**O**  
Over-processing

**D**  
Defects

1. Morra et al, 2011
2. Casalino et al., 2009
3. Berwick & Hackbarth, 2012
4. Cutler et al, 2012
5. Institute of Medicine, 2010

6. "Muda" is the Japanese word for waste (Womack & Jones, 2010)

7. Adapted from "What does it cost physician practices to interact with health insurance plans?", by L.P. Casalino, S. Nicholson, D.N. Gans, T. Hammons, D. Morra, T. Karrison, and W. Levinson, 2009, *Health Affairs*, 28(4), p. w536. Copyright 2009 by Project HOPE – The People-to-People Health Foundation.

Womack & Jones, 2010