Medical Xpress

Electronic health records don't reduce administrative costs

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Credit: Harvard University

The federal government thought that adopting certified electronic health record systems (EHR) would reduce administrative costs for physicians in a variety of specialties. However, a major new study conducted by

researchers at Duke University and Harvard Business School and published in today's issue of the *Journal of the American Medical Association* finds that this benefit has not been achieved.

The study found that costs for processing a single bill ranged from $20 for a primary care visit to $215 for an inpatient surgical procedure, or up to 25 percent of revenue. By comparison, the cost to process most payments by credit card is normally 2 percent. Based on this analysis, the study estimates that billing costs for primary care services are about $100,000 per provider per year.

To conduct the study, the researchers used time-driven, activity-based costing, a state-of-the-art accounting method, to determine the administrative costs associated with billing and insurance activities in a large academic health care system with a certified EHR.

Administrative costs are known to account for at least a quarter of total health care spending in the U.S., twice the amount in Canada and significantly greater than most other high-resource countries. Administrative spending has outpaced overall health care expenditures, and experts estimate that almost two-thirds of these costs are related to billing and insurance. However, these data were developed before widespread adoption of certified electronic health record systems.

"We found no evidence that adoption of these expensive electronic health record systems reduced billing costs related to physician services," said Kevin Schulman of the Duke Clinical Research Institute, the Duke University School of Medicine, and Harvard Business School, one of the study's authors.

"The high billing costs we observed in this study occurred at an institution that had already captured significant scale economies by streamlining all its bill-paying functions within a single dedicated unit,"

said Harvard Business School's Robert S. Kaplan, a co-author of the study. "The high costs were not caused by wasteful, inefficient processes, duplicate or redundant tasks, or the inappropriate use of high-wage personnel to perform low-skilled tasks."

"To a large degree, the significant administrative costs measured in this study are the consequences of heterogeneous payment requirements across the multiple payers and health plans contracting with the academic health center," said another study author, Barak Richman of the Duke University School of Law and the Duke-Margolis Center for Health Policy. "We need to understand better how complexity is driving these enormous costs within the system, costs that do not add value to patients, employers, or providers."

"We hope that this work is the first step toward informing policy solutions that could reduce these non-value-added costs largely hidden within the health care system," Schulman added.

More information: Phillip Tseng et al. Administrative Costs Associated With Physician Billing and Insurance-Related Activities at an Academic Health Care System, *JAMA* (2018). DOI: 10.1001/jama.2017.19148

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