

An Analysis of Methods to Reduce Administrative Costs in the Healthcare System in New Mexico

Interim Report to the Legislative Health and Human Services Committee on Analyses Related to Health Care Cost Drivers in New Mexico

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Agenda

01 Background

02 Ideas Discovered in Literature

03 Next Steps

04 Q&A

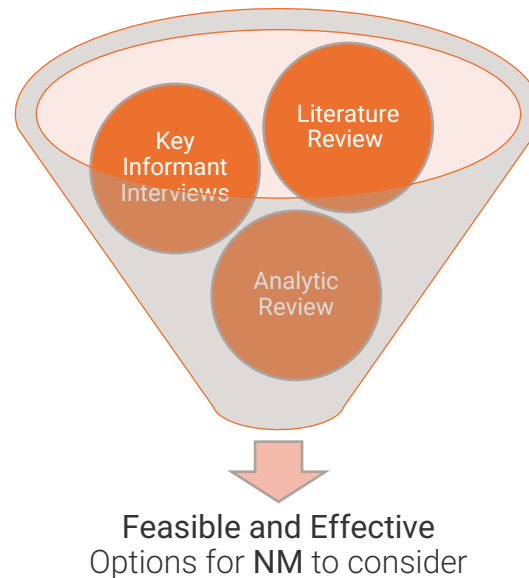
05 Closing



Background

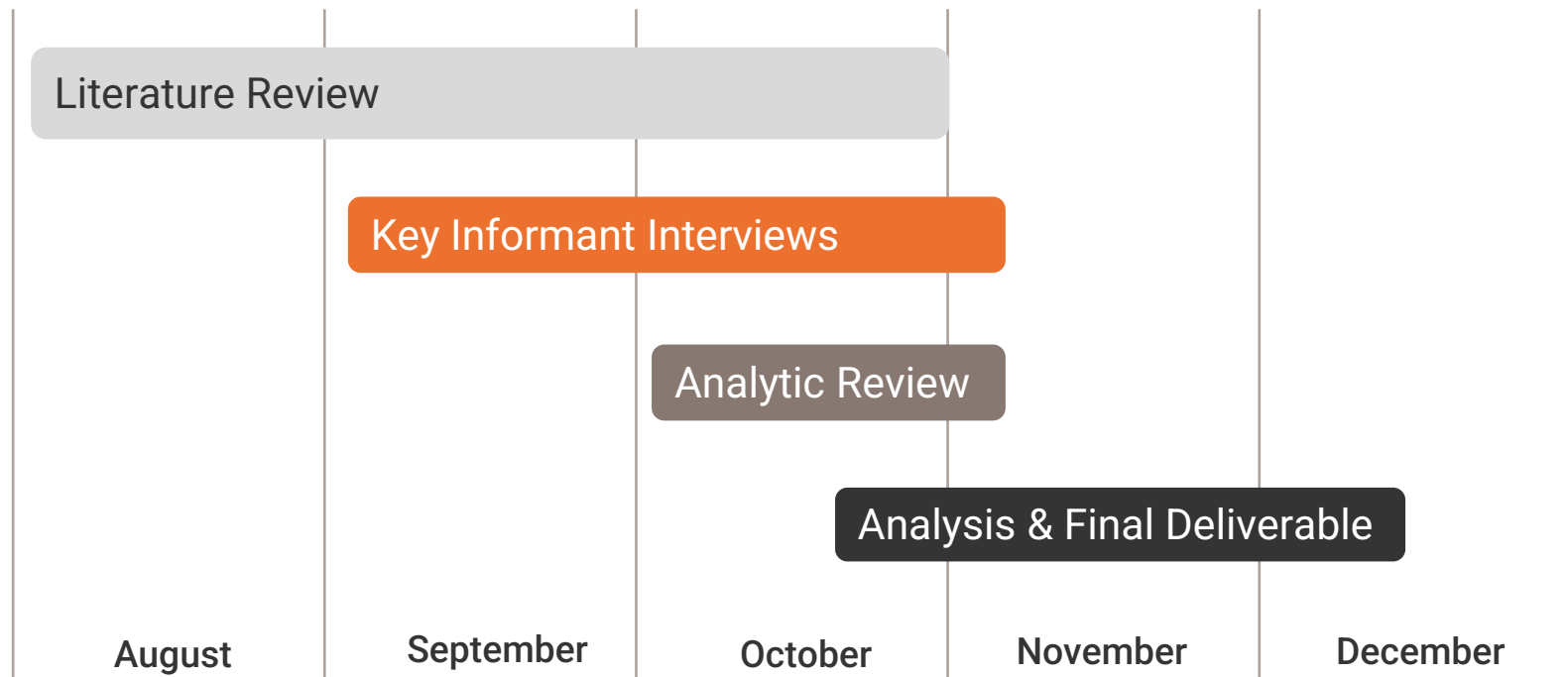
Purpose

- Healthcare administrative costs: all costs related to coordinating and paying for medical services; account for 15-30% of healthcare spending in the US¹
- NORC was selected to conduct an analysis of methods for reducing administrative costs in the healthcare system in the state of New Mexico



¹ Joshua D. Gottlieb and Mark Shepard, "How Large a Burden Are Administrative Costs in U.S. Health Care?," EconoFact, September 6, 2018, <https://econofact.org/how-large-a-burden-are-administrative-costs-in-health-care>.

Project Timeline



Ideas Discovered in Literature Review

Methods: Literature Review

Search Strategy

- Searches conducted on PubMed, PubMed Central, Google Scholar, and Google for peer-reviewed and grey literature
- Snowball strategy: read the sources cited in the most useful articles

Synthesis

- Initial review for relevance
- Uploaded full text articles into Covidence
- Extracted key findings from articles

Results

- Review included 79 articles
- 37 states and more than 15 countries included in results
- 55 articles proposed strategies; 25 articles evaluated strategies

Claims and Billing Processes



Strategies

- Standardized payment requirements, forms, and data exchange
- Automated, centralized claims clearinghouse
- Model Contract Structures

Evidence

- A study from Minnesota shows that standardization of billing implemented in Minnesota is “...reducing the need for phone-based follow-up and questions between providers and payers, helping reduce an estimated \$15.5 million - \$22 million annual expense statewide for the calls.”²

² Center for Health Care Purchasing Improvement, “Minnesota’s Health Care Administrative Simplification Initiative” (Minnesota Department of Health, n.d.), <https://www.health.state.mn.us/facilities/ehealth/asa/docs/factsheetadminsimpl.pdf>.

Automation and Technology



Strategies

- All-Payer Claims Database to promote price transparency and high-value care (in progress in NM)
- Establishing a common digital infrastructure to incorporate both administrative and clinical data
- Harmonize quality metrics across payers
- Electronic eligibility verification (already in NM)

Evidence

- “Establishing a common digital infrastructure” that seamlessly incorporates both administrative and clinical (EHR) data, in which payers and providers are able to see and utilize data for decision making directly "can address the \$250 billion in annual spending considered 'waste' by researchers"⁴

⁴ Barak D. Richman and Kevin A. Schulman, “Healthcare Administrative Costs and Competition Policy,” *Competition Policy Antitrust Chronicle*, no. 2023–36 (2023), <https://doi.org/10.1001/jama.2021.17315>.

Prior Authorization Reform



Strategies

- Standardized procedures across managed care plans and organizations
- Allowing pharmacist-initiated PA and pharmacy technicians for PA
- Using a fully electronic PA system
- Removing PA when appropriate, sunset programs, and gold card exclusion programs
- Automation of PA

Evidence

- One evaluation found that using electronic prior authorization could save an estimated \$9.64 per prior authorization transaction³

³ The Commonwealth Fund, "Reduce Administrative Waste Cost Driver Targeted: Administrative Costs," February 2022, https://www.commonwealthfund.org/sites/default/files/2022-02/Hwang_health_care_cost_growth_strategy_10_administrative.pdf.

Policy options that may reduce administrative costs in some contexts



Clinical Strategies

- Care Management
- Palliative Care

Medicaid Policy Options

- Eligibility Decisions
- Payment and Operations Decisions

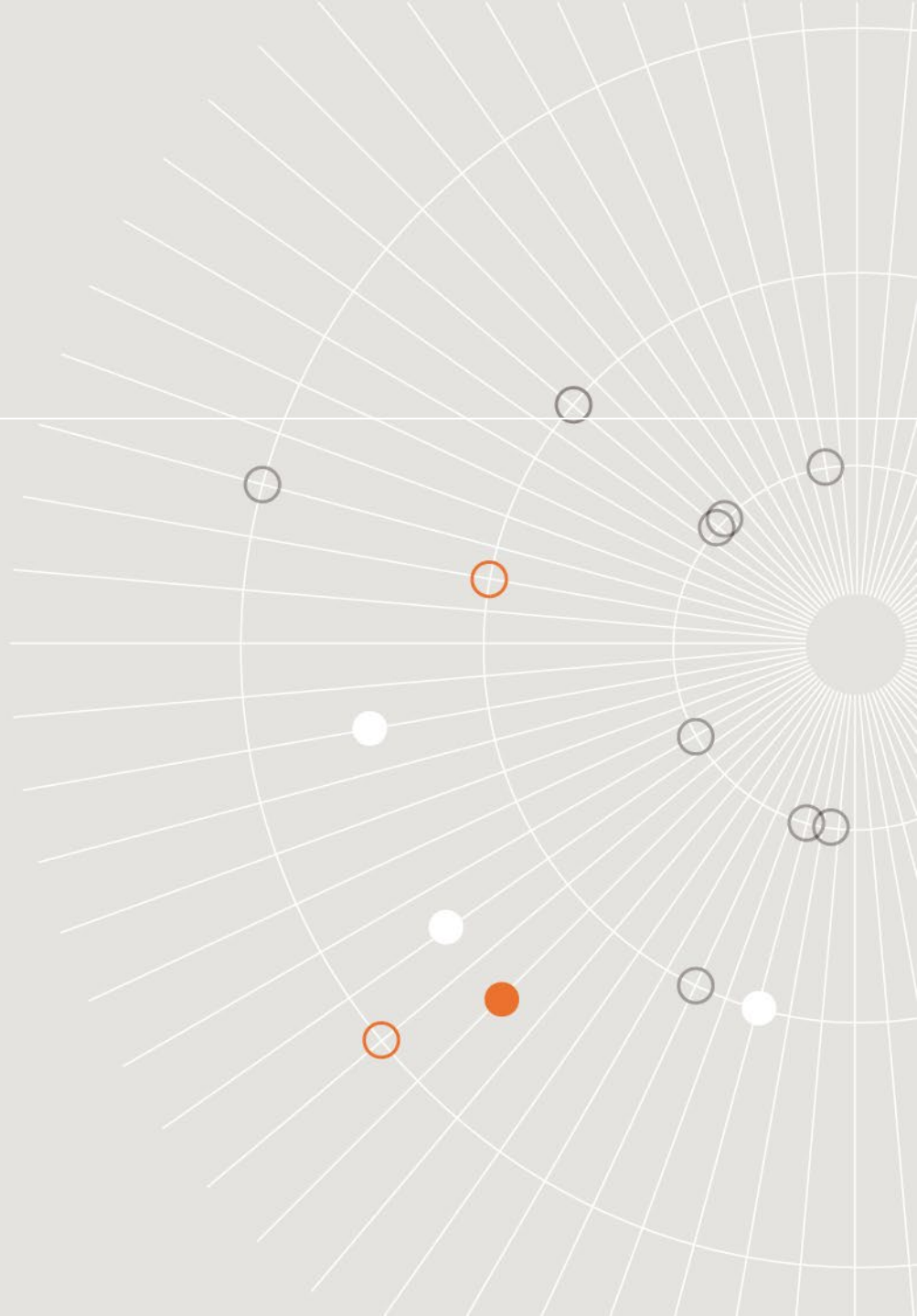
Payment Policy Options

- Alternative Payment Models
- Price Caps, Growth Caps, and Reference Spending

Next Steps

- Stakeholder Interviews (hospitals, payers, state officials, etc.)
- Analytic Review—Hospital Cost Reports, IRS 990 Forms, Rulemaking Files
- December Presentation and Recommendations Report

Questions?



Thank you.

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 Research You Can Trust™

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