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**PRESS RELEASE**  
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## 1 in 5 Health Care Dollars Used for Insurance Paperwork Study Suggests that National Health Insurance Could Save Enough to Provide Coverage for All

Billing and insurance paperwork consumes at least one-fifth of California's privately-insured health spending (currently estimated \$26 billion), according to a new study published today in *Health Affairs*. If the state adopted a universal single-payer insurance system, the state would save from \$18 to \$21 billion per year by eliminating this paperwork, the author estimates.

Projected nationally, these figures indicate that approximately \$230 billion of health spending was devoted to insurance administration in 2005, with estimated savings of between \$161 billion and \$184 billion from reduced billing, marketing and other insurance paperwork tasks.

Researchers led by University of California, San Francisco professor James G. Kahn analyzed administrative expenses at hospitals, doctors' offices and private insurance companies, separating billing and insurance costs from other administrative tasks such as quality improvement efforts.

Using conservative estimates, they found that:

- Private insurers spent 8 percent of their premiums on billing, marketing and other financial activities.
- Physician offices spent 14 percent of revenues and hospitals 7 to 11 percent of revenues on these activities.
- Overall, 21 percent of private health spending went to billing-related tasks, and an additional 13 percent of spending went to non-billing administrative functions.
- Only 66 percent went to medical care.

The study provides strong validation of a controversial New England Journal of Medicine study by Harvard researchers Drs. David Himmelstein and Steffie

Woolhandler. That 2003 study found that health care bureaucracy accounted for 31 percent of U.S. health spending – about \$400 billion – vs. 16.7 percent in Canada. The Harvard group's figures included several categories of administrative overhead costs that were not assessed in the California study, e.g. administrative spending by nursing homes, private employers and home health agencies, as well as health industry profits. The Harvard researchers estimated that national health insurance could streamline the health payment system, saving \$286 billion in 2003, \$6940 for each uninsured American.

A February 2005 study by the Lewin Group, a Virginia-based consulting firm, found that a single-payer plan would save California \$344 billion over 10 years, even while providing coverage to all state residents.

Dr. Kahn commented “These estimates confirm the very significant resources consumed by insurance administration in our current fragmented health care financing system. The costs to providers – physicians most of all – are especially high. The potential for savings with simplified financing is huge.”

According to Dr. Steffie Woolhandler, a Harvard Associate Professor and expert on health care administration: “This study offers further proof that hundreds of billions of health care dollars are wasted each year on useless paperwork, CEOs' incomes and insurance company profits. The money squandered is more than enough to cover the uninsured and to eliminate exclusions, co-payments and deductibles that often bankrupt even insured families in the face of serious illness. But only national health insurance can slash health care bureaucracy. Computerized billing – the strategy pushed by the Bush administration – can't do the job; 80% of medical billing is already computerized yet bureaucratic costs continue to rise.”

“Only national health insurance can squeeze the bureaucratic waste out of health care and use the savings to give patients the care they need,” said Dr. Don McCanne, a retired California physician and Senior Health Policy Fellow at Physicians for a National Health Program. “Americans spend twice as much per capita on health care as Canadians who have universal coverage. The administrative savings of national health insurance would make high-quality, comprehensive coverage with no waits for care affordable.”

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**Physicians for a National Health Program** is an organization of 14,000 physicians advocating for non-profit national health insurance. PNHP has chapters and spokespeople across the country. For contacts, call (312) 782-6006