



Rx: Health Care FYI #17

Subject: *Paper Costs and Kills*
From: *Rep. Tim Murphy (PA-18)*

The problem: An outdated paper-based medical system costs thousands of lives and billions of dollars. Electronic Medical Records will reduce the need for additional staff and expansive storage space to maintain paper files and Electronic Prescribing will eliminate human errors caused by unreadable handwriting.

Paper costs money:

- Health administration or paperwork costs over \$294 billion annually, \$1,059 per capita, or 31% of all health care expenditures in the United States.¹
- It takes 102 days to process a paper medical insurance claim.²
- Expenditures for health care insurance administration from 2000-2005 rose 80% faster than spending on actual care.³
- The cost of manual paper claims processing is \$40 for physicians and \$10 for payers, compared to \$5.50 for physicians and \$1.50 for payers for electronic processing of claims.⁴
- Pharmacists make over 150 million calls to physicians for clarification of illegible prescriptions each year. One Pharmacy Benefit Manager (PBM) estimates follow-up calls cost over \$4 each.⁵

Paper costs lives:

- 40% of physicians restricted access to care for Medicaid patients because of concerns about reimbursement and billing paperwork.⁶

¹ Woolhandler, Steffie. Costs of Health Care Administration in the United States and Canada. *The New England Journal of Medicine*. August 2003.

² Saporito. Bill. *The e-Health Revolution; How a bipartisan bill from Hillary Clinton and Bill Frist could help jump-start a new kind of health-care reform*. *Time Magazine*. June 2005.

³ Sager, Alan. *Health Costs Absorb One-Quarter of Economic Growth, 2000 – 2005*. Boston University School of Public Health. February 2005.

⁴ American Medical Association: 1999 Study by ADVANCE for Health Information Executives.

⁵ Institute for Safe Medication Practices. *Electronic Prescribing Can Reduce Medication Errors*. 2000.

⁶ MedPac. 2002 survey of physicians about the Medicare program.

- A study of 42 family physician practices found that 86% of mistakes were administrative in nature such as misfiling patient information, prescribing the wrong medication, and ordering incorrect or duplicate tests. Of the physicians surveyed, 73% did not have computerized patient records and nearly 84% lacked Internet access.⁷
- Paperwork adds an additional six hours of a week to the 24 hour shifts for medical interns, which increased medical errors by 36%.⁸

The federal government's role:

- The Administrative Simplification provisions of the Health Insurance Portability and Accountability Act (HIPAA) of 1996 require the Secretary of Health and Human Services (HHS) to adopt standards for electronic health care transactions.
- Since October 16, 2003, the Center for Medicare and Medicaid Services has required that providers who are not small providers (institutional organizations with fewer than 25 full-time employees or physicians with fewer than 10 full-time employees) send all Medicare and Medicaid claims electronically.
- The FY 2006 Labor, Health and Human Services and Education Appropriations provides \$75 million for the administration's proposal to provide additional funds for the new health information technology initiative.
- The Institute of Medicine is mandated by Congress under the Medicare Modernization Act to "carry out a comprehensive study . . . of drug safety and quality issues in order to provide a blueprint for system-wide change," including an "attempt to develop credible estimates of the incidence, severity, costs of medication errors that can be useful in prioritizing resources for national quality improvement efforts and influencing national health care policy."

Recommendations:

- Pass the *21st Century Health Information Act* to remove barriers and provide incentives for Electronic Medical Records and Electronic Prescribing.
- Ensure that health information technology protects the safety and security of medical information.

For more information on how to lower the cost of health care and improve patient safety, please sign up to receive Health Care FYIs by email at HealthcareFYI@mail.house.gov.

⁷ Dovey, S. Et. al. A preliminary taxonomy of medical errors in family practice. Journal: Quality Safety Health Care. September 2002.

⁸ Lokley, S. Et. al. Effect of Reducing Interns' Weekly Work Hours on Sleep and Attentional Failures. New England Journal of Medicine. October 2004.